

A
TREATISE
ON
POLITICAL ECONOMY;
OR THE
PRODUCTION, DISTRIBUTION, AND CONSUMPTION
OR
WEALTH.

BY
JEAN-BAPTISTE SAY.

TRANSLATED FROM THE FOURTH EDITION OF THE FRENCH,

By C. R. PRINSEP, M.A.

WITH NOTES BY THE TRANSLATOR.

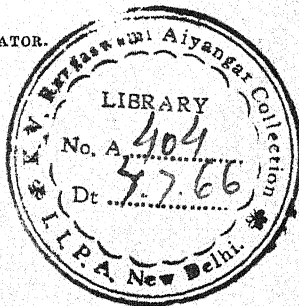
IN TWO VOLUMES.

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ADVERTISEMENT.

POLITICAL science has, in this country, become quite a necessary part of education. Aided by the general advance of human intelligence, and stimulated by the acute sense of individual, or the dismal scene of national, calamity, its maxims have been discussed alike in the counting-house and in the cabinet : in the former, with all the warmth and anxiety generated by curiosity and personal interest ; in the latter with that enforced attention, with which public functionaries will ever regard the approach of what must necessarily tend, at every step, to reduce their own importance, and to render the art of government less mysterious and less voluminous. With the public at large, political truth needs no other recommendation, than to be seen and recognized : from authority, it can never ex-

pect a hearty welcome : every important accession will emanate from the people, and not from their rulers.

Since the primæval labours of Smith upon the Theory of National Wealth, that interesting branch of polity has undergone abundance of discussion in most of its parts. Malthus on Population ; Young, Torrens, and numberless others on Agriculture ; Thornton on Credit ; Ricardo on Money ; Blake on Exchanges ; Cobbett on Fluctuation of Price ; Hamilton on National Debt ; Brougham on Colonial Policy, have contributed to promote the progress of the science, each by the separate illustration of a particular topic ; and the increasing variety and accuracy of statistical information has greatly facilitated its acceptance amongst the practical classes of society, by the corroboration of its previous conclusions.

Many have ventured a bolder flight, and aspired to the higher excellence of general instruction. But without any disposition to undervalue the merits of cotemporaries, it seems to be the prevailing opinion, that they have been far less successful in their general, than in their particular, views. The failure

may perhaps be in a great measure attributed, either to the attempt to draw attention to some favorite dogma, by making it the hinge of more important solutions ; or to the unreasonable desire of novelty, in a matter wherein little was to be expected, and whereof the grand difficulty was, the removal of the accumulated rubbish of prejudice and error. Be it as it may, little has been done towards the better organization of the science since the days of Smith and Stewart : indeed, with the exception of the valuable manual of Marcet, which has become an inmate of most establishments for the better classes of instruction, the recent efforts to generalize have been singularly unsuccessful. Of the two most popular works of the present day in this department, that of Ricardo, besides being limited in its range, is both involved in the style, and defective in the arrangement ; and, though containing much that is calculated to instruct and enlighten, is evidently the production of a mind, that has worked its way up from practice to theory, and is apt to mistake the point arrived at for a novel discovery, simply because it has been attained by a tortuous route. The later Essay of Malthus

is equally deficient in arrangement, as well as vague and inconclusive : and he seems so sensible himself of these failings, that he has offered it rather as a commentary than a text,—a refutation of the opinions of others, than a clear exposition of his own, or a digested classification of approved and admitted principles : plainly intimating, that the science is not yet far enough advanced to be regularly marshalled; and leaving the public to hope for a more complete view of the whole, at some future indefinite period.

In expectation of so desirable an addition to political literature, it may be well to look abroad and see what has been done by foreign writers in the same line of intellectual pursuit : for it is not to be supposed, that their speculation can have been wholly inactive in this bustling and inquisitive age. Although, in the practical department, the superior wealth and commerce of Britain, her amazing financial exertions, the frequent oscillations of her home-market, and, above all, the publicity of every occurrence, have given her writers peculiar advantages ; theoretical success was equally open to foreign adventurers ; nay, possibly, they may have enjoyed some

superior chances, in their comparative exemption from the contagion of party spirit, and the obliquity of private interest, to which most of our own writers have been more or less exposed. Accordingly, the press of the Continent has teemed with publications, not only upon insulated parts of the great subject of national wealth, but also upon the general theory. The diligence of Garnier has naturalized the work of Smith amongst his countrymen; the pen of Sismondi has exchanged the task of historical detail, for the kindred one of polity in the abstract; but his work is far more commendable for eloquence and perspicuity of style, than for depth or accuracy of reasoning: the official acumen of Hauterive has involved him in refinements and abstractions, far more subtle and less edifying, than those with which our English writers have been reproached: and the sun of autocratic favour has engendered the more recent and hazardous effort of Storch, to instil into the princes and lords, at least, of Muscovy and Tartary, some of the leading maxims of political wisdom.

But the work, now first presented in an English garb, is by far the most widely and

justly celebrated of all that have issued from the continental press. It was originally published in 1803, while the author was yet invested with the empty honours of the French Tribunate, but in a crude and imperfect state, and after the active revision of censorial jealousy. Since the downfall of the military leviathan, it has received several important emendations, and has rapidly run through three large editions, and been translated more than once into the German, as well as into other continental languages. The name of the author has long been familiar with the English public, and his work with the scientific, with whom it has been a frequent object of reference. It is now offered in an English version, for the use of those, who may be either incompetent to peruse the original, or unequal to the clear conception of a complex and difficult matter, in any but their native tongue; in the full confidence, that it will not only prove instructive, but will be found to contain the best and most methodical view of the general theory of wealth that has yet appeared. In treating his subject, the outline of Turgot has been observed, and extended, from the production, or formation, and dis-

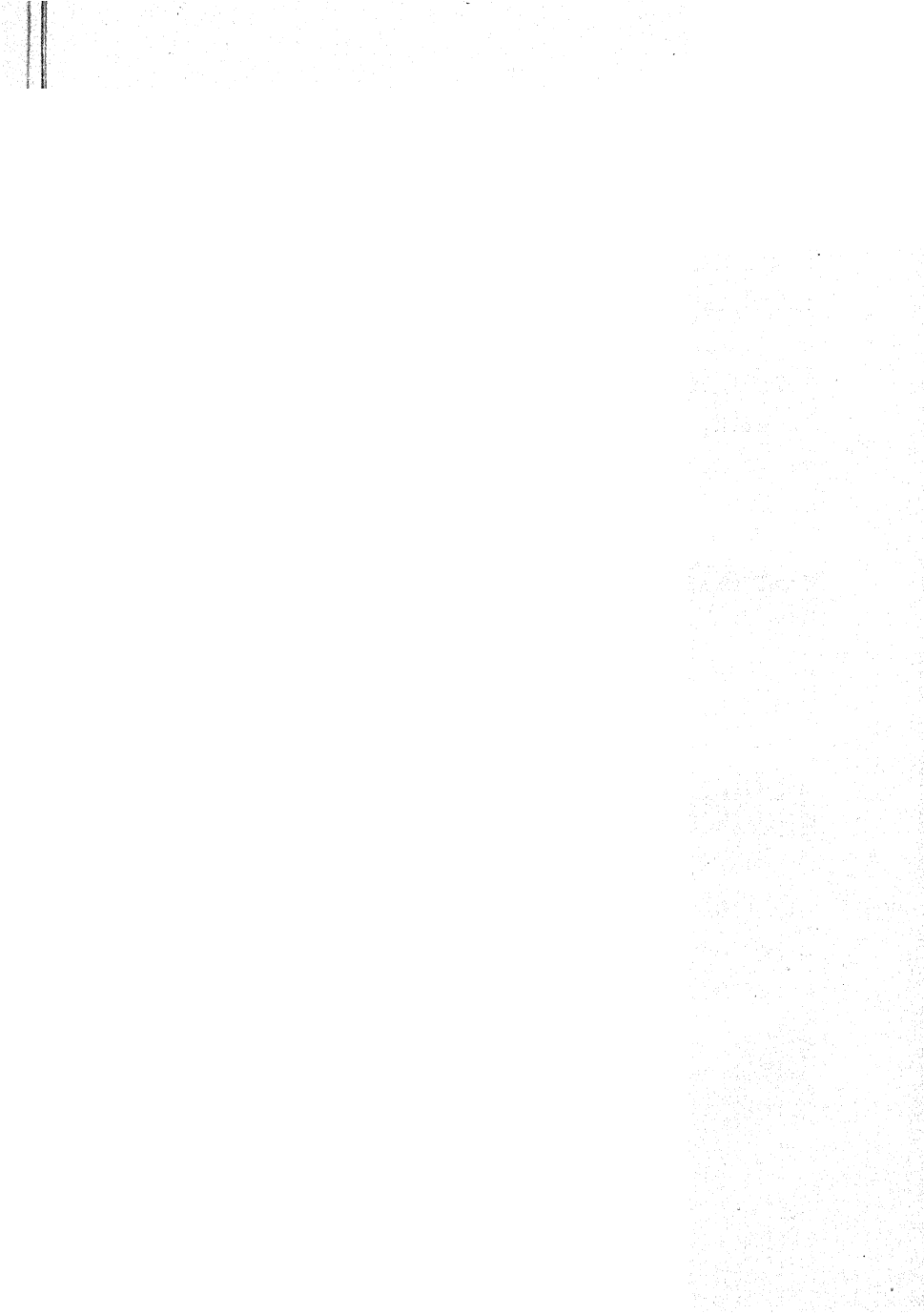
tribution of wealth, to the survey of its ultimate consumption, to which the reader is conducted by gradual and easy steps, in a plain intelligible style, which is the only merit translation can aspire to. It is given in the simplest form, with the notation of such errors as occur in the course of the deduction, and the mere addition of a few statistical facts, that may afford matter of reflection or application to the student. The attention of the public will not be ill bestowed on the perusal; for the inquiry is one of universal interest; more especially in a season of doubt and difficulty, when every error must be calamitous, and may be ruinous altogether.

Yet, after all that has been done to give to the theory of wealth the order and consistency of regular science, much remains to be effected, ere it can be said to have reached attainable perfection; not that there is a great deal left to the acuteness of minute research; still less to the boldness of original discovery. The principal points and bearings have been distinctly laid down and recognized, and many of the smaller compartments carefully surveyed and accurately described. It has been observed by a late fashionable and lively

writer, that no confidence can be placed in a science, that varies from day to day, and rests upon the opinions of men, who differ point blank upon many of its first principles. But a little further examination would have convinced him, that the discrepancy is often merely nominal; and that the remaining topics of dissention amongst the scientific are of much less moment, as well as much less numerous, than has been represented by their common adversaries. In most important particulars, there is no longer any difference of opinion; the sources and means of production; the nature of commerce; the benefits of freedom, of industry, and of division of labour; the nature and uses of money; the operation of credit; the injurious effect of prohibition, monopoly, taxation, and, generally, of the interference of authority, on the business of production; the constant pressure of population upon the means of subsistence — all these are placed beyond doubt or controversy. The origin and nature of value; the effect of its oscillation upon productive power and activity; the limits of demand and supply; the power and benefit of national credit; the effect of national bankruptcy upon

the productive classes; the peculiar pressure of each class of taxation—these and some other remote recesses of this ample region of intellect have been hitherto but partially explored, and will probably for some time longer furnish matter of contention and argument, until the knowledge of fact shall be more complete, and theory be fixed upon so solid a base of experiment, as to defy scepticism, and expose to ridicule the ignorance that shall overlook, or the perverseness that shall disregard, its principles. Though still far short of this desirable position, there is no need to despair of its early attainment. The grand requisite is, the simplification of positive acquirements, and the correct delineation of remaining difficulties; the successful prosecution of these two objects will do far more to unite the opinions, and influence the public acts, of mankind, than any degree of inventive sagacity or argumentative skill. But it is time to see what has been done already, by the most distinguished of foreign economists.

C. R. P.



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BOOK I.

OF THE PRODUCTION OF WEALTH.

CHAP. I.

OF WHAT IS TO BE UNDERSTOOD BY THE TERM, PRODUCTION.

IF we take the pains to inquire, what that is, which mankind in a social state of existence denominate wealth, we shall find the term employed to designate an indefinite quantity of objects bearing inherent value, as of land, of metal, of coin, of grain, of stuffs, of commodities of every description. When they further extend its signification to landed securities, bills, notes of hand, and the like, it is evidently because they contain obligations to deliver things possessed of inherent value. (a) In

(a) It is strange, that a writer of so much research should begin with such loose definition. The term wealth or riches, in its most enlarged sense, means abundance in some degree or other of those things, which satisfy the wants and desires of mankind. In estimating human wealth, account is taken of such things only as are objects of desire, and therefore of value. *Vide infrà*, p. 4. *in notis*. Neither does wealth consist in the possession of value, which is a mere quality, but in the possession of the things wherein the quality, value, is vested. Value is a matter of comparison, and, as such, is treated in

Book

point of fact, wealth can only exist where there are things possessed of real and intrinsic value.

Wealth is proportionate to the quantum of that value: great, when the aggregate of component value is great; small, when that aggregate is small. (b)

The value of a specific article is always vague and arbitrary, so long as it remains unacknowledged. Its owner is not a jot the richer, by setting a higher ratio upon it in his own estimation. But the moment that other persons are willing, for the purpose of obtaining it, to give in exchange a certain quantity of other articles, likewise bearing value, the one may then be said to be worth, or to be of equal value with, the other.

The quantity of money, which is readily parted with to obtain a thing, is called its *price*. *Current price*, at a given time and place, is that price which the owner is sure of obtaining for a thing, if he is inclined to part with it.*

* The numerous and difficult points arising out of the confusion of *positive* and *relative* value are discussed in different parts of this work; particularly in the leading chapters of Book II. Not to perplex the attention of the reader, I confine myself here to so much, as is absolutely necessary to comprehend the phenomenon of the production of wealth.

Book II. *infra*. All that is here meant is, to limit the range of the science to such objects as have some value or other, no matter in what ratio of intensity. T.

(b) On this subject it will be well to refer to Ricardo, on the difference between value and riches.—*Essay on Pol. Econ. and Tax.* c. 20.

The knowledge of the real nature of wealth, thus defined, of the difficulties that must be surmounted in its attainment, of the course and order of its distribution amongst the members of society, of the uses to which it may be applied, and, further, of the consequences resulting respectively from these several circumstances, constitutes that branch of science now entitled Political Economy.

The value that mankind attach to objects originates in the use it can make of them. Some afford sustenance; others serve for clothing; some defend them from the inclemencies of the season, as houses; others gratify their taste, or, at all events, their vanity, both of which are species of wants: of this class are all mere ornaments and decorations. It is universally true, that, where men attribute value to any thing, it is in consideration of its useful properties: what is good for nothing they set no price upon.* To this inherent fitness or capability of certain things to satisfy the

* It would be out of place here to examine, whether or no the value mankind attach to a thing be always proportionate to its actual utility. The accuracy of the estimate must depend upon the comparative judgment, intelligence, habits, and prejudices of those who make it. True morality, and the clear perception of their real interests, lead mankind to the just appreciation of benefits. Political economy takes this appreciation as it finds it—as one of the *data* of its reasonings; leaving to the moralist and the practical man, the several duties of enlightening and of guiding their fellow creatures, as well in this, as in other particulars of human conduct.

various wants of mankind, I shall take leave to affix the name of utility. (c) And I will go on to say, that, to create objects which have any kind of utility, is to create wealth; for the utility of things is the ground-work of their value, and their value constitutes wealth.

Objects, however, cannot be created by human means; nor is the mass of matter, of which this

(c) Utility is not the sole ingredient of value. To say that an object is possessed of value, is to affirm the presence of two circumstances, utility and difficulty of attainment, the combination of which makes the object, in human opinion, worth some exertion, sacrifice, equivalent, or price. Those most useful and necessary objects, air, water, light, are not in human calculation possessed of value, where there is interposed between the object and its attainment no difficulty or obstacle, either natural or artificial: but when difficulty intervenes, then they are objects of value. Thus air is an object, for which the tenant of a dungeon would probably make a large sacrifice, and be content to employ the greatest exertions to surmount the artificial difficulty, which stands in the way of his enjoyment of. Water is of no value to one person placed on the banks of a lake or river, but of great value to another placed in the midst of a sandy desert; for a vast natural difficulty intervenes between its desire and its attainment. For the same reason, light in the day-time is of no value to those possessed of sight, but of infinite value to the blind. Unless there be some difficulty to surmount, no desire is excited in the human breast; there is no motive for exertion or sacrifice of any kind. The term value, therefore, is an affirmation, when used positively, of the combination of utility and difficulty of attainment and when used relatively, of the degree of combined utility and difficulty. By real value, our author will be found to mean that, in which artificial difficulty is no ingredient. T.

globe consists, capable of increase or diminution. All that man can do is, to re-produce existing materials under another form, which may give them an utility they did not before possess, or merely enlarge one they may have before presented. (*d*) So that, in fact, there is a creation, not of matter, but of utility; and this I call *production of wealth*.

In this sense then, the word production must be understood in political economy, and throughout the whole course of the present work. Production is the creation, not of matter, but of utility. It is not to be estimated by the length, the bulk, or the weight of the product, but by the utility it presents. (*e*)

Although price is the measure of the value of things, and their value the measure of their utility, it would be absurd to draw the inference, that, by forcibly raising their price, their utility can be augmented. Exchangeable value, or price, is an index of the recognized utility of a thing, so long only as human dealings are exempt from every influence, but that of the identical utility: in like manner as a barometer denotes the weight of

(*d*) — And to surmount what difficulty there may be in the way of its attainment. T.

(*e*) This is not quite correct. Even utility cannot be *created* by man; it is a quality he may discover in objects; and which, by his reasoning faculties, he may conclude will exist in objects modified, compounded, or decomposed in a particular manner. He cannot create the quality, but may discover and apply it. T.

the atmosphere, only while the mercury is submitted to the exclusive action of atmospheric gravity.

In fact, when one man sells any product to another, he sells him the utility vested in that product: the buyer buys it only for the sake of its utility, of the use he can make of it. If, by any cause whatever (*f*), the buyer is obliged to pay more than the value to himself of that utility, he pays for value that has no existence, and consequently which he does not receive. *

This is precisely the case, when authority grants to a particular class of merchants the exclusive privilege of carrying on a certain branch of trade, the India trade for instance; the price of Indian

* This position will hereafter be further illustrated. For the present it is enough to know, that, whatever be the state of society, current prices approximate to the real value of things, in proportion to the liberty of production and of mutual dealing.

(*f*) These causes are so many artificial difficulties in the way of attainment. The seller of an article transfers its utility, after all difficulties in the way of its attainment have been surmounted; and, of course, the more numerous or intense those difficulties are, the larger sacrifice or price will he require from the purchaser. Artificial difficulty adds to positive and relative, but not to real value. But that, which at first sight would seem an artificial, may prove a natural difficulty on closer inspection. For instance, a tax may be indispensable to the maintenance of public order and security, without which production may be impossible. In this case, the difficulty imposed by the tax is a natural one, originating in the vices and infirmities of human nature. T.

imports is thereby raised, without any accession to their utility or intrinsic value. This excess of price is nothing more or less than so much money transferred from the pockets of the consumers into those of the privileged traders, whereby the latter are enriched exactly as much as the former are unnecessarily impoverished. In like manner, when a government imposes on wine a tax, which raises to 15 *sous* the bottle what would otherwise be sold for 10 *sous*, what does it else, but transfer 5 *sous* per bottle from the hands of the producers or the consumers of wine to those of the tax-gatherer? * The particular commodity is here only the means resorted to for getting at the taxpayer with more or less convenience; and its current value is composed of two ingredients, *viz.* 1. Its real value originating in its utility: 2. The value of the tax, that the government thinks fit to exact, for permitting its manufacture, transport, or consumption.

Wherefore, there is no actual production of wealth, without a creation or augmentation of utility. (g) Let us see in what manner this utility is to be produced.

* It will be shown in Book III. of this work, what proportion of the tax is paid by the producer, and what by the consumer.

(g) And without the surmounting of natural difficulty of attainment. *Vide supra*, note (f)

It has been observed already, that utility is a quality, and

therefore cannot correctly be said to be created, although it may be discovered in objects or the modification of objects. And it is this infinite modification of objects, wherein infinite utility is discoverable, that our author really means, when he talks of the production and creation of utility. It is remarkable, that he should throughout the whole of Book I. treat value as founded wholly upon utility, whereas in Book II. he seems to admit, that difficulty of attainment determines its ratio. Smith appears to have considered the labour expended in surmounting the difficulty of attainment to be the groundwork, as well as the measure of value; and he has been followed in the first part of that opinion by Ricardo. No author of note has yet clearly analysed or defined value; which consists of the combination of the two ingredients. The inaccuracies arising from this defect in the outset will be noticed as they occur. T.

CHAP. II.

OF THE DIFFERENT KINDS OF INDUSTRY, AND THE MODE
IN WHICH THEY CONCUR IN PRODUCTION.

SOME items of human consumption are the spontaneous gifts of nature, and require no exertion of man for their production, as air, water, and light, under certain circumstances. These are destitute of exchangeable value; because the want of them is never felt, others being equally provided with them as ourselves. Being neither procurable by production, nor destructible by consumption, they come not within the province of political economy.

But there are abundance of others equally indispensable to our existence and to our happiness, which man would never enjoy at all, did not his industry awaken, assist, or complete the operations of nature. Such are most of the articles which serve for his food, raiment, and lodging.

When that industry is limited to the bare collection of natural products, it is called *agricultural industry*, or simply *agriculture*.

When it is employed in severing, compounding, or fashioning the products of nature, so as to fit

them to the satisfaction of our various wants, it is called *manufacturing industry*.*

When it is employed in placing within our reach objects of want, which would otherwise be beyond reach, it is called *commercial industry*, or simply *commerce*.

It is solely by means of industry that mankind can be furnished, in any degree of abundance, with actual necessities, and with that variety of other objects, the use of which, though not altogether indispensable, yet marks the distinction between a civilized community, and a tribe of savages. Nature, left entirely to itself, would provide a very scanty subsistence to a small number of human beings. Fertile but desert tracts have been found inadequate to the bare nourishment of a few wretches, cast upon them by the chances of shipwreck: while the presence of industry often exhibits the spectacle of a dense population plentifully supplied upon the most ungrateful soil.

The term *products* is applied to things that industry furnishes to mankind. (a)

* Since matter can only be modified, compounded, or separated, by means either mechanical or chemical, all branches of manufacturing industry may be subdivided into the mechanical and the chemical arts, according to the predominance of the one or the other in their several processes.

(a) This limitation of the term is certainly too narrow. Products of nature, as well as products of industry, are items of wealth; for they possess value, compounded of utility and difficulty

A particular product is rarely the fruit of one branch of industry exclusively. A table is a joint product of agricultural industry, which has felled the tree whereof it is made, and of manufacturing industry, which has given it form. Europe is indebted for its coffee to the agricultural industry, which has planted, and cultivated the bean in Arabia or elsewhere, and to the commercial industry, which hands it over to the consumer.

These three branches of industry, which may at pleasure be again infinitely subdivided, are uniform in their mode of contributing to the act of production. They all either confer an utility on a substance that possessed none before, or increase one which it already possessed. The husbandman who sows a grain of wheat, that yields twenty-fold, does not gain this product from nothing: he avails himself of a powerful agent; that is to say, of Nature, and merely directs an operation, whereby different substances previously scattered throughout the elements of earth,

difficulty of attainment, which make them objects of desire. Indeed, some of the most valuable products, animal, vegetable, &c. are purely products of nature to the man who takes them in their natural state, for his own immediate consumption; although, in every subsequent stage, they may be products of nature and industry compounded. Our author himself repeatedly explains the term, *products*, by the phrase, *choses a l'usage de l'homme*: which is applicable to products of nature and of industry, and of both united. *Vide* Chap. V. at the end, *et passim infra*. T.

air, and water, are converted into the form of grains of wheat.

Gall-nuts, sulphat of iron, and gum-arabic, are substances existing separately in nature. The joint industry of the merchant and manufacturer brings them together, and from their compound derives the black liquid, applied to the transmission of useful science. This joint operation of the merchant and manufacturer is analogous to that of the husbandman, who chooses his object and effects its attainment by precisely the same kind of means as the other two.

No human being has the faculty of originally creating matter, which is more than nature itself can do. But any one may avail himself of the agents offered him by nature, to invest matter with utility. (*b*) In fact, industry is nothing more or less than the human employment of natural agents; the most perfect product of labour, the one that derives nearly its whole value from its workmanship, is probably the result of the action of steel, a natural product, upon some substance or other, likewise a natural product. *

* *Algarotti* in his *Opuscula*, by way of exemplifying the prodigious addition of value given to an object by industry, adduces the spiral springs that check the balance-wheels of watches. A pound weight of pig-iron costs the operative manufacturer about five *sous*. This is worked up into steel, of which is made the little spring that moves the balance-wheel of a watch. Each

(*b*) That is to say, he may give it the specific modification, wherein a specific utility is discoverable. T.

Through ignorance of this principle, the economists of the 18th century, though many enlightened writers were to be reckoned amongst them, were betrayed into the most serious errors. They allowed no industry to be productive, but that which procured the raw materials; as the industry of the husbandman, the fisherman, and the miner; not adverting to the distinction, that wealth consists, not in matter, but in the value of matter (c); because matter without value is no item of wealth; otherwise water, flint-stones, and dust of the roads, would be wealth. Wherefore, if the value of matter constitutes wealth, wealth is to be created by the annexation of value. Practically, the man who has in his warehouse a quintal of wool worked up into fine cloths, is richer than one who has the same quantity of wool in packs.

To this position the economists replied, that the additional value communicated to a product by manufacture, was no more than equivalent to

Each of these springs weighs but the tenth part of a grain; and, when completed, may be sold as high as eighteen *fr.*: so that out of a pound of iron, allowing something for loss of metal, 80,000 of these springs may be made, and a substance of five *sous* value be wrought into a value of 1,440,000 *fr.*

(c) Does not wealth rather consist in matter invested with the quality, value, and not in the mere quality, which, being immaterial, cannot be the object of property or possession? T.

the value consumed by the manufacturer during the process; for, said they, the competition of manufacturers prevents their ever raising the price beyond the bare amount of their own expenditure and consumption; wherefore their labour adds nothing to the total wealth of the community, because their wants on the one side destroy as much, as their industry produces on the other.*

But it should have been previously demonstrated by those who made use of this argument, that the value, consumed by mechanics and artisans, must of necessity barely equal the value produced by them, which is not the fact; for it is unquestion-

* *Mercier de la Riviere*, in his work entitled "*Ordre Naturel des Sociétés Politiques*," tom. ii. p. 255., while labouring to prove, that manufacturing labour is barren and unproductive, makes use of an argument, which I think it may be of some service to refute, because it has been often repeated in different shapes, and some of them specious enough. He says, "that if the unreal products of industry are considered as realities, it is a necessary inference, that an useless multiplication of workmanship is a multiplication of wealth." But, because human labour is productive of value, when it has an useful result, it by no means follows, that it is productive of value, when its result is either useless or injurious. All labour is not productive; but such only as adds a real value to any substance or thing. And the futility of this argument of the Economists is put beyond all question by the circumstance, that it may be equally employed against their own system and that of their opponents. They may be told, "You admit the industry of the cultivator to be productive; therefore he has only to plough and sow his fields ten times a-year to increase his productiveness ten-fold," which is absurd.

able, that more savings are made, and more capital accumulated from the profits of trade and manufacture, than from those of agriculture.

Besides, even admitting that the profits of manufacturing industry are consumed in the satisfaction of the necessary wants of the manufacturers and their families, that circumstance does not prevent their being positive acquisitions of wealth. For unless they were so, they could not satisfy their wants: the profits of the landowner and agriculturist are allowed to be items of positive wealth; yet they are equally consumed in the maintenance of those classes.

Commercial, in like manner as manufacturing industry, concurs in production, by augmenting the value of a product by its transport from one place to another. A quintal of Brazil cotton has acquired greater utility, and therefore larger value, by the time it reaches a warehouse in Europe, than it possessed in one at Pernambuco. (*d*) The transport is a modification that the trader gives to the commodity, whereby he adapts to our use what was not before available; which modification is equally useful, complex, and uncertain in the result, as any it derives from the other two branches of industry. He avails himself of the natural properties of the

(*d*) The utility is probably the same in both places: but the superior difficulty of attainment enhances the value; which difficulty, being surmounted, is an additional value produced by the act of transport. T.

timber and the metals used in the construction of his ships, of the hemp whereof his rigging is composed, of the wind that fills his sails, of all the natural agents brought to concur in his purpose, with precisely the same view and the same result, and in the same manner too, as the agriculturist avails himself of the earth, the rain, and the atmosphere. *

* *Genovesi*, who lectured on political economy at Naples, defines commerce to be "the exchange of superfluities for necessaries." He gives as his reason, that in every transaction of exchange, the article received appears to each of the contracting parties more necessary than that given. This is a far-fetched notion, which I think myself called on to notice, because it has obtained considerable currency. It would be difficult to prove, that a poor labourer, who goes to the ale-house on a Sunday, exchanges there his superfluity for a necessary. In all fair traffic, there occurs a mutual exchange of two things, which are worth one the other, at the time and place of exchange. Commercial production, that is to say, the value added by commerce to the things exchanged, is not operated by the act of exchange, but by the commercial operations that precede it.

The Count *de Verri* is the only writer within my knowledge, who has explained the true principle and ground-work of commerce. In the year 1771 he thus expresses himself: "Commerce is in fact nothing more than the transport of goods from one place to another." (a) *Meditazioni sulla economia politica*, § 4. The celebrated Adam Smith himself appears to have had no very clear idea of commercial production. He merely discards the opinion, that there is any production of value in the act of exchange.

(a) This is unquestionably the correct definition of commerce. *Genovesi* appears to have confounded commerce with the

Thus, when Raynal says of commerce, as contrasted with agriculture and the arts, that "it produces nothing of itself;" he shews himself to have had no just conception of the phenomenon of production. In this instance, Raynal has fallen into the same error with regard to commerce, as the economists made respecting both commerce and manufacture. They pronounced agriculture to be the sole channel of production: Raynal refers production to the two channels of agriculture and manufacture: his position is nearer the truth than the other, but still it is erroneous.

Condillac also is confused in his endeavour to explain the mode in which commerce produces. He pretends that, because all commodities cost to the seller less than to the buyer, they derive an increase of value from the mere act of transfer from one hand to another. But this is not so: for, since a sale is nothing else but an act of barter, in which one kind of goods, silver for example, is received in lieu of another kind of goods, the loss which either of the parties dealing should sustain on one article would be equivalent to the profit he would make on the other, and there would be to

the motive, which sets it to work. Two commodities, in different hands, may, in general estimation, be of equal value; but unless each person desire to have the commodity of his neighbour in preference to his own, there will be no motive for the exchange: each person would keep what he had in hand, and there would be no occasion for any transfer. T.

the community no production of value whatsoever.* When Spanish wine is bought at Paris, equal value is really given for equal value: the silver paid, and the wine received, are worth one the other; but the wine had not the same value before its export from Alicant: its value has really increased in the hands of the trader, by the circumstance of transport, and not by the circumstance, or at the moment, of exchange. The seller does not play the rogue, nor the buyer the fool; and Condillac has no grounds for his position, that "if men always exchanged equal value for equal value,

* This circumstance had escaped the attention of Sismondi, or he would not have said, "The trader places himself between the producer and the consumer, to benefit them both at once, making his charge for that benefit upon both." (*Nouveaux Principes d'Economie Pol.* Liv. ii. ch. 8.) He would make it appear, as if the trader subsisted wholly upon the values produced by the agriculturist and the manufacturer; whereas he is maintained by the real value he himself communicates to commodities, by giving them an additional modification, an useful property. It is this very notion that stirs up the popular indignation against the dealers in grain.

L. Say, of Nantes, has fallen into the same mistake (*Principales Causes de la Richesse*, &c. p. 110.). By way of demonstrating the value conferred by commerce to be unreal, he alleges it to be absorbed by the charges of transport. By this identical process of reasoning, the economists concluded manufacture to be unproductive: not perceiving, that in these very charges consist the revenue of the commercial and manufacturing producers; and that it is in this way, that the values raised by production at large are distributed amongst the several producers.

there would be no profit to be made by the traders." * (e)

In some particular cases the two other branches of industry produce in a manner analogous to commerce, *viz.* by giving a value to things to which they actually communicate no new quality, but that of approximation to the consumer. Of this description is the industry of miners. The coal or metal may exist in the earth, in a perfect state, but unpossessed of value. The miner extracts them thence, and this operation gives them a value, by fitting them for the use of mankind. So also of the herring fishery. Whether in or out of the sea the fish is the same; but, under the latter circumstances, it has acquired an utility, a value, it did not before possess. † (f)

* See his work entitled "*Le Commerce et le Gouvernement considérés relativement l'un a l'autre*," 1re. partie, ch. 6.

† We may consider as agents of the same class of industry, the cultivator of the land, the breeder of cattle, the woodcutter, the

(e) The desire of possessing each the other's product, which is the motive that induces every act of exchange between two parties, does not operate upon the rest of the community. Wherefore, the value in general estimation is not affected by the mere act of exchange. Commerce or transport adds nothing to that value, unless it either attach *additional utility*, or present a superior difficulty of attainment already surmounted. T.

(f) There is no acquisition of fresh utility: that quality was discoverable in the coal or fish, while in the natural state and

Examples might be infinitely multiplied, and would all bear as close an affinity, as those natural objects, which the naturalist classifies only to facilitate their description.

This fundamental error of the Economists, in which I have shewn that their adversaries in some measure participated, led them to the strangest conclusions. According to their theory, the traders and manufacturers, being unable to add an iota to the general stock of wealth, live entirely

the fisherman that takes fish he has been at no pains in breeding, and the miner who, from the bowels of the earth, extracts metal, stone, or combustibles, that nature has placed there in a perfect state; and, to avoid multiplicity of denominations, the whole of these occupations may be called by the name of agricultural industry, because the superficial cultivation of the earth, is the chief and most important of all. Terms are of little consequence, when the ideas are clear and definite. The wine grower, who himself expresses the juice of his grapes, performs a mechanical operation, that partakes more of manufacture than of agriculture. But it matters little whether he be classed as a manufacturer or agriculturist; provided that it be clearly comprehended in what manner his industry adds to the value of the product. If we wish to give separate consideration to every possible manner of giving value to things, industry may be infinitely subdivided. If it be the object to generalize to the utmost, it may be treated as one and the same; for every branch of it will resolve itself into this: the employment of natural substances and agents in the adaptation of products to human consumption.

position; but there existed a difficulty of attainment, which is removed by the miner or fisher; and until that difficulty was surmounted, mankind would probably never have even discovered the latent utility. T.

at the expence of the sole producers, that is to say, the proprietors and cultivators of the land. Whatever new value they may communicate to things, they at the same time consume an equivalent product, furnished by the real producers: manufacturing and commercial nations, therefore, subsist wholly upon the wages they receive from their agricultural customers; in proof of which position they alleged, that Colbert ruined France by his protection of manufactures, &c. *

The truth is, that, in whatever class of industry a person is engaged, he subsists upon the profit he derives from the additional value, or portion of value, no matter in what ratio, which his agency attaches to the product he is at work upon. The total value of products serves in this way to pay the profits of those occupied in production. The wants of mankind are supplied and satisfied out of the *gross* values produced and created, and not out of the *net* values only. (g)

A nation, or a class of the nation, engaged in manufacturing or commercial industry, is not a whit more nor less in the pay of another, than one employed in agriculture. The value created by one branch is of the same nature as that created by the others. Two equal values are worth one the other, although perhaps the fruit of different

* See the numberless writings of that sect.

(g) Those wants are satisfied out of the gross amount of products possessed of value. T.

branches of industry : and when Poland barter its staple product, wheat, for the staple commodity of Holland, East and West India produce, Holland is no more in the pay or service of Poland, than Poland is of Holland.

Nay, Poland herself, which exports at the rate of ten millions of wheat annually, and therefore, according to the Economists, takes the sure road to national wealth, is, notwithstanding, poor and depopulated : and why ? — Because she confines her industry to agriculture, though she might be at the same time a commercial and manufacturing state. Instead of keeping Holland in her pay, she may with more propriety be said to receive wages from the latter, for the raising of ten millions of wheat per annum. Nor is she a jot less dependent than the nations that buy wheat of her : for she has just as much desire to sell to them, as they have to buy of her. *

Moreover, it is not true that Colbert ruined France. On the contrary, the fact is that France, under Colbert's administration, emerged from the distress that two regencies and a weak reign had involved her in. She was, indeed, afterwards ruined again : but for this second calamity, she may thank the pageantry and the wars of Louis XIV. Nay, the very prodigality of that prince is an undeniable

* We shall find in the sequel, that, if any one nation can be said to be in the service of another, it is that, which is the most dependent ; and that the most dependent nations are, not those which have a scarcity of land, but those which have a scarcity of capital.

evidence of the vast resources that Colbert had placed at his disposal. It must, however, be admitted that those resources would have been still more ample, if he had but given the same protection to agriculture, as to the other branches of industry.

Thus, it is evident, that the means of enlarging and multiplying wealth within the reach of every community are much less confined than the Economists imagined. A nation, by their account, was unable to produce annually any values beyond the net annual produce of its lands; to which fund alone recourse could be had for the support, not only of the proprietary and the idler, but likewise of the merchant, the manufacturer, and the mechanic, as well as for the total consumption of the government. Whereas we have just seen, that the annual produce of a nation is composed, not of the mere net produce of its agriculture, but of the gross produce of its agriculture, commerce, and manufacture united. For, in fact, is not the sum total, that is to say, the aggregate of the gross product raised by the nation, disposable for its consumption? Is value produced less an item of wealth, because it must needs be consumed? And does not value itself originate in this very applicability to consumption.

The English writer Stewart, who may be looked upon as the leading advocate of the exclusive system, the system founded on the maxim, that the wealth of one set of men is derived from the im-

poverishment of another, is himself no less mistaken in asserting, that, "when once a stop is put to external commerce, the stock of internal wealth cannot be augmented."* Wealth, it seems, can come only from abroad; but abroad, where does it come from? from abroad also. So that, in tracing it from abroad to abroad, we must necessarily, in the end, exhaust every source, till at last we are compelled to look for it beyond the limits of our own planet, which is absurd.

Forbonnais†, too, builds his prohibitory system on this glaring fallacy; and, to speak freely, on this fallacy are founded the exclusive systems of all the short-sighted merchants, and all the governments of Europe and of the world. They all take it for granted, that what one individual gains must needs be lost to another; that what is gained by one country is inevitably lost to another: as if things were incapable of receiving any increase of value; and as if the possessions of abundance of individuals and of communities could not be multiplied, without the robbery of some body or other. If one man, or set of men, could only be enriched at others' expence, how could the whole number of individuals, of whom a state is composed, be richer at one period than at another, as they now confessedly are in France, England, Holland, and Germany, compared with what they were formerly? How is it, that nations are in our days more

* Essay on Political Economy, b. ii. c. 26.

† *Elémens de Commerce*.

opulent, and their wants better supplied in every respect, than they were in the seventeenth century? Whence can they have derived that portion of their present wealth, which then had no existence? Is it from the mines of the new continent? They had already advanced in wealth before the discovery of America. Besides, what is that which these mines have furnished? Metallic wealth or value. But all the other values which those nations now possess, beyond what they did in the middle ages, whence are they derived? Is it not clear, that these can be no other than created values?

We must conclude, then, that wealth, which consists in the value that human industry, in aid and furtherance of natural agents, communicates to things, is susceptible of creation and destruction, of increase and diminution, within the limits of each nation, and independently of external agency, according to the method it adopts to bring about those effects. An important truth, which ought to teach mankind, that the objects of rational desire are within their reach, provided they have the will and intelligence to employ the true means of obtaining them. Those means it is the purpose of this work to investigate and unfold.

CHAP. III.

OF THE NATURE OF PRODUCTIVE CAPITAL, AND THE MODE
IN WHICH IT CONCURS IN THE BUSINESS OF PRODUCTION.

As we advance in the investigation of the processes of industry, we cannot fail to perceive, that mere unassisted industry is insufficient to invest things with value. The human agent of industry must, besides, be provided with pre-existing products; without which his agency, however skilful and intelligent, would never be put in motion. These pre-existing requisites are,

1. The tools and implements of the several arts. The husbandman could do nothing without his spade and mattock, the weaver without his loom, or the mariner without his ship.

2. The products necessary for the subsistence of the industrious agent, so long as he is occupied in completing his share of the work of production. This outlay of his subsistence is, indeed, in the long run, replaced by the product he is occupied upon, or the price he will receive for it; but he is obliged continually to make the advance.

3. The raw materials, which are to be converted into finished products by the means of his industry. These materials, it is true, are often the gratuitous offering of nature; but they are much more gene-

rally the products of antecedent industry (*a*); as in the case of seed-corn supplied by agriculture,

(*a*) Nature is the primary source of every product; industry, whether corporeal or intellectual, may enlarge the sphere of human wants and gratifications, by discovering the latent utility of matter, and overcoming natural or artificial difficulty of attainment; and capital may further that extension, inasmuch as the utility of a modification, already given to a natural product by human powers, may consist in enabling those powers to give a further modification to that or to another product, or to make a fresh discovery of utility. The order of production is simply this: nature offers its powers and its products; industry discovers their various and latent utility, surmounts the difficulty of attainment, and gives the requisite modification: which being once obtained, the product of nature, thus modified by industry, may be used as capital, to advance discovery and heap modification upon modification. Capital, therefore, consists not in value, but in natural products, appropriated, perhaps modified, but at any rate invested with value, by human agency. But one should be careful not to reckon as capital any mere primary natural agents or powers, as land and the like, although perhaps capable of total or partial appropriation, and whether acquired by corporeal or by intellectual industry. For these are the primary sources of production; and capital consists only of products. Neither are permanent ameliorations of the natural sources an item of capital; but an enlargement only of those natural sources. The draining of a lake by an artificial cut, not liable to be obstructed by any natural cause, is an acquisition *pro tanto* of the natural source, land.

Our author appears in this and the two next chapters to trace production upwards through capital and industry to nature, the primary source. In Chap. VI. he falls into the opposite arrangement; tracing it downwards from nature to the finishing stroke of industry assisted by capital. This is surely the better mode of handling the subject, both for simplicity and perspicuity. *Vide infra*, Chap. VI. in notes. T.

metals, the fruit of the labour of the miner and smelter, drugs, brought by the merchant perhaps from the extremities of the globe. The value of all these must be found in advance by the industrious agent that works them up.

The value of all these items constitute what is denominated *productive capital*.

Under this head of productive capital must likewise be classed the value of all erections and improvements upon real or landed property, which increase its annual produce, as well as that of the farming live and dead stock, that operates as machinery in aid of human industry.

Another item of productive capital is money, whenever it is employed to facilitate the interchange of products, without which production could never make any progress. Money distributed through the whole mechanism of human industry, like the oil that greases the wheels of complex machinery, gives the requisite ease and facility to its movements. But gold and silver are not productive, unless employed by industry; they are like the oil in a machine remaining in a state of inaction. And so also of all other tools and implements of human industry.

It would evidently be a great mistake to suppose, that the capital of a community consists solely of its money. The merchant, the manufacturer, the cultivator, commonly have the least considerable portion of the value composing their capital invested in the form of money; nay, the more active their concern is, the smaller is the

relative proportion of their capital so vested to the residue. The funds of the merchant are placed out in goods on their transit by land or water, or warehoused in different directions: the capital of the manufacturer chiefly consists of the raw material in different stages of progress, of tools, implements, and necessities for his workmen; while that of the cultivator is vested in farming buildings, live stock, fences, and inclosures. They all studiously avoid burthening themselves with more money than is sufficient for current use.

What is true of one, two, three, or four individuals, is true of society in the aggregate. The capital of a nation is made up of the sum total of private capitals; and, in proportion as a nation is prosperous and industrious, in the same proportion is that part of its capital, vested in the shape of money, trifling compared to the amount of the gross national capital. Necker estimates the circulating medium in France, in the year 1784, at about 2200 millions of *francs*, and there are reasons for believing his estimate exaggerated; but this is not the time to state them. However, if account be taken of all the works, enclosures, live stock, utensils, machines, ships, commodities, and provisions of all sorts belonging to the French people or their government in every part of the world; and if to these be added the furniture, decorations, jewellery, plate, and other items of luxury or convenience, whereof they were possessed, at the same period, it will be found, that 2200 millions of circulating medium was a mere

trifle compared to the aggregate of these united values. *

Beeke estimates the total capital of Great Britain at 2300 millions sterling†, (equal to more than 55,000 millions of our *francs*.) The total amount of her circulating specie, before the establishment of her present paper-money, was never reckoned by the highest estimates at more than 47 millions sterling‡; that is to say, about 1-50th of her capital. Smith reckoned it at no more than 18 millions, which could not be the 1-127th part. (b)

Capital in the hands of a national government forms a part of the gross national capital.

* Arthur Young, in his "*Journey in France*," in spite of the unfavourable view he gives of French agriculture, estimates the total capital employed in that kingdom in that branch of industry alone, at more than 11,000 millions of *francs*; and states his belief, that the capital of Great Britain, similarly employed, is in the proportion of two to one.

† *Observations on the produce of the income-tax.*

‡ Pitt, who is supposed to have overrated the quantity of specie, states the gold at forty-four millions; and Price estimates the silver at three millions, making a total of forty-seven millions.

(b) These estimates have been strangely brought together, though made at very different periods of the national wealth of Britain. The money of England alone at present, reckoning specie and Bank of England paper, does not amount to above thirty millions, yet her annual produce has greatly increased since Pitt's calculation was made, and prices have in nowise retrograded. But this is owing to the superior rapidity with which paper circulates value, and the great improvement of the banking system; which are matters that will be adverted to under the head of Money, *infra*, Chap. XXI. T.

We shall see, by and bye, how capital, which is subject to continual wear and consumption in the process of production, is continually replaced by the very operation of production; or rather, how its value, when destroyed under one form, re-appears under another. (c) At present it is enough to have a distinct conception, that, without it, industry could produce nothing. (d) Capital must work, as it were, in concert with industry; and this concurrence is what I call the *productive agency of capital*.

(c) That is to say, how one modification of matter disappears totally or partially and another takes its place. T.

(d) Industry may produce considerably without the pre-existence of any but natural products. Therefore, if we are to understand this passage literally, natural products must be classed as capital. Probably our author considers them so, when reduced into human possession. T.

CHAP. IV.

OF THE NATURAL AGENTS THAT ASSIST IN THE PRODUCTION
OF WEALTH, AND SPECIALLY OF LAND.

INDEPENDENTLY of the aid that industry receives from capital, that is to say, from products of her own previous creation (*a*), towards the creation of still further products, she avails herself of the agency and powers of a variety of agents not of her own creation, but offered spontaneously by nature; and from the co-operation of these natural agents derives a portion of the utility she communicates to things.

Thus, when a field is ploughed and sown, besides the science and the labour employed in this operation, besides the pre-created values brought into use, the values, for instance, of the plough, the harrow, the seed-corn, the food and clothing consumed by the labourers during the process of production, there is a process performed by the

(*a*) It must not be forgotten that modification is the only material or corporeal creation to which industry is competent; see Note (*a*) to Chap. III. Capital consists of natural products, which have been appropriated and modified by human agency. T.

soil, the air, the rain, and the sun, wherein mankind bears no part, but which nevertheless concurs in the creation of the new product that will be acquired at the season of harvest. This process I call the *productive agency of natural agents*.

The term *natural agents* is here employed in a very extensive sense ; comprising not merely inanimate bodies, whose agency operates to the creation of value, but likewise the laws of the physical world, as gravitation, which makes the weight of a clock descend ; magnetism, which points the needle of the compass ; the elasticity of steel ; the gravity of the atmosphere ; the property of heat to discharge itself by ignition, &c. &c.

The productive faculty of capital is often so interwoven with that of natural agents, that it is difficult, or perhaps impossible, to assign, with accuracy, their respective shares in the business of production. A hot-house for the raising of exotic plants, a meadow fertilized by judicious irrigation, owe the greater part of their productive powers to works and erections the effect of antecedent production, which form a part of the capital devoted to the furtherance of actual and present production. The same may be said of land newly cleared and brought into cultivation ; of farm-buildings ; of enclosures ; and of all other permanent ameliorations of a landed estate. These values are items of capital, though it be no longer possible to sever them from the soil they are attached to.*

* It is for the proprietor of the land and of the capital
D respectively,

In the employment of machinery, which wonderfully augments the productive power of man, the product obtained is due partly to the value of the capital vested in the machine, and partly to the agency of natural powers. Suppose a walking-wheel*, worked by ten men, to be used in place of a windmill, the product of the mill might be considered as the fruit of the productive agency of a capital consisting of the value of the machine, and of the labour of ten men employed in turning the wheel. If the walking-wheel be supplanted by sails, it is evident that the wind, a natural agent, does the work of ten human beings.

In this instance, the absence of the natural agent might be remedied, by the employment of another power : but there are many cases, in which the agency of nature could not possibly be dispensed with, and is yet equally positive and real : for example, the vegetative power of the soil, the vital principle which concurs in the production of the animals domesticated to our use. A flock of sheep is the joint result of the owner's and shepherd's care, and the capital advanced in fodder, shelter, and shearing, and of the action of the

respectively, when the ownership is in different persons, to settle between them the respective value and efficacy of the agency of these two productive agents. The world at large may be content to comprehend, without taking the trouble of measuring their respective shares in the production wealth.

* A wheel in form of a drum, turned by men walking inside, (*roue à marcher.*)

organs and viscera with which nature has furnished these animals.

Thus nature is commonly the fellow-labourer of man and his instruments; a fellowship advantageous to him in proportion as he succeeds in dispensing with his own personal agency, and that of his capital, and in throwing upon nature a larger part of the burthen of production.

Smith has taken infinite pains to explain, how it happens that civilized communities enjoy so great an abundance of products, in comparison with nations less polished, and in spite of the swarm of idlers and unproductive labourers that is to be met with in society. He has traced the source of that abundance to the division of labour*; and it cannot be doubted, that the productive power of industry is wonderfully enhanced by that division, as we shall hereafter see by following his steps; but this circumstance alone is not sufficient to explain a phenomenon, that will no longer surprise, if we consider the power of the natural agents that industry and civilization set at work for our advantage.

Smith admits that human intelligence, and the knowledge of the laws of nature, enable mankind to turn the resources she offers to better account: but he goes on to attribute to the division of labour

* Take his own words: "It is the great multiplication of the productions of all the different arts, in consequence of the division of labour, which occasions, in a well-governed society, that universal opulence, which extends itself to the lowest ranks of the people." *Wealth of Nations*, b. i. c. 1.

this very degree of intelligence and knowledge ; and he is right to a certain degree ; for a man, by the exclusive pursuit of a single art or science, has ampler means of accelerating its progress towards perfection. But, when once the system of nature is discovered, the production resulting from the discovery, is no longer the product of the inventor's industry. (b) The man who first discovered the property of fire to soften metals, was not the actual creator of the utility this process adds to smelted ore. That utility results from the physical action of fire, in concurrence, it is true, with the labour and capital of those who employ the process. But are there no processes that mankind owes the knowledge of to pure accident? or that are so self-evident, as to have required no skill to discover? When a tree, a natural product, is felled, is society put into possession of no greater produce than that of the mere labour of the woodman?

From this error Smith has drawn the false conclusion, that all values produced represent pre-exerted human labour or industry, either recent or remote ; or, in other words, that wealth is nothing more than labour accumulated ; from

(b) The extension of natural science by the discovery of a new power or property of nature or natural bodies, like the extension of territorial possession by the discovery of new, or the accidental or artificial addition to old land, is not an enlargement of production, but of the known and disposable sources of production, although effected perhaps by human industry. *Vide* note (a) Chap. iii. T.

which position he infers a second consequence equally erroneous, *viz.* that labour is the sole measure of wealth, or of value produced.

This system is obviously in direct opposition to that of the Economists of the eighteenth century, who, on the contrary, maintained that labour produces no value without consuming an equivalent; that, consequently, it leaves no surplus, no net produce; and that nothing but the earth produces gratuitous value, — therefore nothing else can yield net produce. Each of these positions has been reduced to system; I only cite them to warn the student of the dangerous consequences of an error in the outset*, and to bring the science back to the simple observation of facts. Now facts demonstrate, that values produced are referable to the agency and concurrence of industry, of capital†, and of natural

* Amongst other dangerous consequences of the system of the Economists, is the notable one of substituting a land-tax in lieu of all other taxation; in the certainty, that this tax would affect all produced value whatever. Upon a contrary principle, and in pursuance of the maxims laid down by Smith, the net produce of land and of capital ought to be exempted from taxation altogether, if with him we take for granted, that they produce nothing spontaneously; but this would be as unjust on the opposite side.

† Although Smith has admitted the productive power of land, he has disregarded the completely analogous power of capital. A machine, an oil-mill for example, which employs a capital of 20,000 *fr.*, and gives an annual net return of 1000 *fr.*, after paying all expenses, gives a product quite as substantial as that of a real estate, that cost 20,000 *fr.*, and brings an annual rent or net produce of 1000 *fr.*, all charges deducted.

agents, whereof the chief, though by no means the only one, is land capable of cultivation ; and that no other but these three sources can produce value, or add to human wealth.

Of natural agents, some are susceptible of appropriation, that is to say, of becoming the property of an occupant, as a field, a current of water ; others cannot be appropriated, but remain liable to public use, as the wind, the sea, free navigable streams, the physical or chemical action of bodies one upon another, &c. &c.

We shall by and bye have an opportunity of convincing ourselves, that this alternative, of productive agents being or not being susceptible of appropriation, is highly favourable to the progress of wealth. Natural agents, like land, which are

Smith maintains, that a mill which has cost 20,000 *fr.*, represents labour to that amount, bestowed at sundry times upon the different parts of its fabric ; therefore, that the net produce of the mill is the net produce of that precedent labour. But he is mistaken : granting, for argument sake, the value of the mill itself to be the value of this previous labour ; yet the value daily produced by the mill is a new value altogether ; just the same, as the rent of a landed estate is a totally different value from the value of the estate itself, and may be consumed, without at all affecting the value of the estate. If capital contained in itself no productive faculty, independent of that of the labour which created it, how is it possible, that capital could furnish a revenue in perpetuity, independent of the profit of the industry that employs it ? The labour that created the capital would receive wages after it ceased to operate, — would have interminable value ; which is absurd. It will be seen by and bye, that these notions have not been mere matter of speculation.

susceptible of appropriation, would not produce nearly so much, were not the proprietors certain of exclusively gathering their produce, and able to vest in them, with full confidence, the capital which so much enlarges their productiveness. On the other hand, the indefinite latitude allowed to industry to occupy at will the unappropriated natural agents, opens a boundless prospect to the extension of her agency and production. It is not nature, but ignorance and bad government, that limit the productive powers of industry.

Such of the natural agents as are susceptible of appropriation, form an item of productive means; for they do not yield their concurrence without equivalent; which equivalent, as we shall see in the proper place, forms an item of the revenues of the appropriators. At present we must be content to investigate the productive operation of natural agents of every description, whether already known, or hereafter to be discovered.

CHAP. V.

OF THE MODE IN WHICH INDUSTRY, CAPITAL, AND NATURAL
AGENTS UNITE FOR THE PURPOSE OF PRODUCTION.

WE have seen how industry, capital, and natural agents concur in production, each in its respective department; and we have likewise seen, that these three sources are indispensable to the creation of products. It is not, however, absolutely necessary, that they should all belong to the same individual?

An industrious person may lend his industry to another possessed of capital and land only.

The owner of capital may lend it to an individual possessing land and industry only.

The landholder may lend his estate to a person possessing capital and industry only.

Whether the thing lent be industry, capital, or land, inasmuch as all three concur in the creation of value, their use also bears value, and is commonly paid for.

The price paid for the loan of industry is called *wages*.

The price paid for the loan of capital is called *interest*.

And that paid for a loan of land is called *rent*.

The ownership of land, capital, and industry are sometimes united in the same hands. A man who cultivates his own garden at his own expense, is at once the possessor of land, capital, and industry, and exclusively enjoys the profit of proprietor, capitalist, and labourer.

The knife-grinder's craft requires no occupancy of land; he carries his stock in trade upon his shoulders, and his skill and industry at his fingers' ends; being at the same time adventurer (*a*), capitalist, and labourer.

It is seldom that we meet with adventurers in industry so poor, as not to own at least a share of the capital embarked in their concern. Even the common labourer generally advances some portion; the bricklayer comes with his trowel in his hand; the journeyman tailor is provided with thimble and needles; all are clothed better or worse; and though it be true, that their clothing must be found out of their wages, still they find it themselves in advance.

Where the land is not exclusive property, as is the case with some stone quarries, with public rivers and seas to which industry resorts for fish,

(*a*) The term *entrepreneur* is difficult to render in English; the corresponding word, *undertaker*, being already appropriated to a limited sense. It signifies, the master-manufacturer in manufacture, the farmer in agriculture, and the merchant in commerce; and generally in all three branches, the person who takes upon himself the immediate responsibility, risk, and conduct of a concern of industry, whether upon his own or a borrowed capital. For want of a better word, it will be rendered into English by the term *adventurer*. T.

pearls, coral, &c. products may be obtained by industry and capital only. (*b*)

Industry and capital are likewise competent to produce by themselves, when that industry is employed upon products of foreign growth, procurable by capital only; as in the European manufacture of cotton and many other articles. So that every class of manufacture is competent to raise products, provided there be industry and capital exerted. The presence of land is not absolutely necessary, unless perhaps the area whereon the work is done, and which is commonly rented, may be thought to come under this description, as in extreme strictness it certainly must. However, if the ground where the business of industry is carried on, be reckoned as land used, it must at least be admitted, that, with the aid of a large capital, an immense manufacturing concern may be conducted upon a very trifling spot of ground. Whence this conclusion may be drawn, that national industry is limited, not by territorial extent, but by extent of capital. (*c*)

(*b*) That is to say, an individual may procure them without the appropriation of the natural source of production, land; but they equally emanate from that source, whether it happen to be appropriated or not;—the circumstance of appropriation, though it often furthers the advance of production of wealth, being more immediately connected with its distribution. T.

(*c*) Accumulation of products, or, as it is more generally termed, formation of capital, must originate in the possession or command of the natural sources of production. Wherefore a nation, that has a very limited command of those sources,

A stocking manufacturer with a capital, say of 20,000*fr.*, may keep in constant work ten stocking frames. If he manages to double his capital, he can employ twenty; that is to say, he may buy ten more frames, pay double ground-rent, purchase double the quantity of silk or cotton to be wrought into stockings, and make the requisite advances to double the number of workmen, &c. &c.

But that portion of agricultural industry, devoted to the tillage of land, is, in the course of nature, limited by extent of surface. Neither individuals nor communities can extend or fertilize their territory, beyond what the nature of things permits; but they have unlimited power of enlarging their capital, and, consequently, of setting at work a larger body of industry, and thus of multiplying their products; in other words, their wealth. (*d*)

There have been instances of people, like the Genevese, who, with a territory that has not pro-

must be proportionally slow in effecting such an accumulation. But products once raised by the extensive command of the natural sources, being transferable, may be accumulated in vast abundance upon a limited extent of surface, and the re-modification of them upon that limited surface may, without the same command of the natural sources, so much enlarge their value, as to perpetuate or even extend that accumulation. This is the history of the aggrandisement of Venice, Tyre, and similar states. T.

(*d*) The enlargement of capital is by no means so much a matter of course. A nation may have so limited a command of natural sources, as, with all its industry, will barely supply its necessary consumption; in which case there can be no accumulation of products or formation of capital. T.

duced the twentieth part of the necessities of life, have yet contrived to live in affluence. The natives of the barren glens of Jura are in easy circumstances, because many mechanical arts are there practised. In the 13th century, the world beheld the republic of Venice, ere it held a foot of land in Italy, derive wealth enough from its commerce to possess itself of Dalmatia, together with most of the Greek isles, and even the capital of the Greek empire. The extent and fertility of a nation's territory depend a good deal upon its fortunate position. Whereas the power of its industry and capital depends upon its own good management; for it is always competent to improve the one and augment the other.

Nations deficient in capital labour under great disadvantage in the sale of their produce; being unable to sell at long credit, or to grant time or accommodation to their home or foreign customers. If the deficiency be very great indeed, they may be unable even to make the advance of the raw material and their own industry. This accounts for the necessity, in the Indian and Russian trade, of remitting the purchase-money six months or sometimes a year in advance, before the time when an order for goods can be executed. These nations must be highly favoured in other respects, or they never could make considerable sales in the face of such a disadvantage. (e)

(e) A nation possessed of a comparatively small command of the natural source, land, or of the other source, human industry,

Having informed ourselves of the method in which the three great agents of production, industry, capital, and natural agents, concur in the creation of products, that is to say, of things applicable to the uses of mankind, let us proceed to analyse more minutely the particular operation of each. The enquiry is important, inasmuch as it leads imperceptibly to the knowledge of what is more and what is less favourable to production, the true source of individual affluence, as well as of national power.

dustry, will commonly find its advantage in an advance of capital upon foreign land or foreign industry. Russia has, comparatively with England, an immense command of land; India of human labour; the English capitalist, therefore, finds his account in setting the powers of each source at work upon his capital. Great part of the natural sources of wealth in the United States is brought into activity by the advance of British capital. For the United States are always many months in arrear for the manufactures supplied by British industry, and employed in the business of American cultivation. During the average period of that arrear, then, America is working upon British capital. T.

CHAP. VI.

OF THE OPERATIONS COMMON TO ALL BRANCHES OF
INDUSTRY ALIKE.

IF we examine closely the workings of human industry, it will be found, that, to whatever object it be applied, it consists of three distinct operations.

The first step towards the attainment of any specific product is the study of the laws and course of nature regarding that product. A lock could never have been constructed without a previous knowledge of the properties of iron, the method of extracting from the mine and refining the ore, as well as of mollifying and fashioning the metal.

The next step is the application of this knowledge to an useful purpose: for instance, the conclusion, or conviction, that a particular form, communicated to the metal, will furnish the means of closing a door to all the wards, except to the possessor of the key.

The last step is the execution of the manual labour, suggested and pointed out by the two former operations; as, for instance, the forging, filing, and putting together of the different component parts of the lock. (a)

(a) Our author seems here to fall into that very order and arrangement of his subject above suggested in note (a) p. 27.

These three operations are seldom performed by one and the same person. (*b*) It commonly happens, that one man studies the laws and conduct of nature; that is to say, the philosopher, or man of science, of whose knowledge another avails himself to create useful products; being either agriculturist, manufacturer, or trader; while the third supplies the executive exertion, under the direction of the former two; which third person is the operative workman or labourer.

All products whatever will be found on analysis, to derive existence from these three operations.

Take the example of a sack of wheat, or a pipe of wine. The first stage towards the attainment of either of these products was, the discovery by the natural philosopher, or geologist (*c*), of the conduct and course of nature in the production of the grain or the grape; the proper season and soil for

(*b*) That is to say, in a state of civilization. The first discovery of natural properties is commonly turned to practical account, and carried into effect by the discoverer himself; those employed in the application of previous knowledge, are the most active and successful in its further extension; and, even in the advanced stages of society, the most important inventions and discoveries are often due to the operative mechanic. The division of labour must be carried very far indeed, ere theory, application, and execution, become distinct and well defined pursuits. T.

(*c*) *Agronome*: I am not aware of any corresponding English term, denoting the student in that branch of geology conversant with the properties of the surface of the earth; in other words, the scientific agriculturist. T.

sowing or planting ; and the care requisite to bring the herb or plant to maturity. The tenant, if not the proprietor himself, must afterwards have applied this knowledge to his own particular object, brought together the means requisite to the creation of an useful product, and removed the obstacles in the way of its creation. Finally, the labourer must have turned up the soil, sown the seed, or pruned and bound up the vine. These three distinct operations were indispensable to the complete production of the product, corn or wine.

Or take the example of a product of external commerce ; such as indigo. The science of the geographer, the traveller, and the astronomer, bring us acquainted with the spot where it is to be met with, and the means of crossing the seas to get at it. The merchant equips his vessels, and sends them in quest of the commodity : and the mariner and land carrier perform the mechanical part in this production.

But, looking at the substance, indigo, as a mere primary material of a further or secondary product, of blue cloth for instance ; we all know that the chymist is first applied to for information, as to the nature of the substance, the method of dissolving it, and the mordents requisite for fixing the colour ; the means of perfecting the process of dyeing are then collected by the master-manufacturer, under whose orders the labourer executes the manual part of the process.

Industry is, in all cases, divisible into theory, ap-

plication, and execution. (*d*) Nor can it approximate to perfection in any nation, till that nation excel in all three branches. A people, that is deficient in one or other of them, cannot acquire products, which are and must be the result of all three. And thus we may learn to appreciate the vast utility of many sciences, which, at first sight, appear to be objects of mere curiosity and speculation.*

* Besides the direct impulse, given by science to progressive industry, and which indeed is indispensable to its success, it affords an indirect assistance, by the gradual removal of prejudice; and by teaching mankind to rely more upon their own exertions, than on the aid of superhuman power. Ignorance is the inseparable concomitant of practical habits, of that slavery of custom which stands in the way of all improvement; it is ignorance that imputes to a supernatural cause the ravages of an epidemical disease, which might perhaps be easily prevented or eradicated; and makes mankind recur to superstitious observances, when precaution, or the application of the remedy, is all that is wanted. Sciences, like facts, are linked together by a chain of general connexion, and yield one another mutual support and corroboration.

(*d*) This is neither more or less than affirming, that, before human industry can complete a product, mankind must have acquired the knowledge of what was to be done, have set about, and have completed the performance. Now, is it not evident, that the two last operations are resolvable into one? the preparation being strictly but a part of the execution. Industry may be with more propriety resolved into two operations only, theory, and execution, application, or practice, as it is variously called; whereof the former is intellectual, and the latter corporeal; and these two are capable of combination, as well as of infinite ramification and complexity. T.

The negroes of the coast of Africa are possessed of considerable ingenuity, and excel in all athletic exercises and handicraft occupations; but they seem greatly deficient in the two previous operations of industry. Wherefore, they are under the necessity of purchasing from Europe the stuffs, arms, and ornaments, they stand in need of. Their country yields so few products, notwithstanding its natural fertility, that the slave traders are obliged to lay in their stock of provisions beforehand, to feed the slaves during the voyage. * (e)

In qualities favourable to industry, the moderns have greatly surpassed the ancients, and the Europeans outstript all the other nations of the globe. The meanest inhabitant of an European town enjoys innumerable comforts unattainable to the

* See *Œuvres de Poivre*, p. 77, 78.

(e) This must be understood of cured provisions and sea stock; the slave exporting districts being, for the most part, abundantly provided with animal and vegetable products; so much so, as even to export them. And being not at all engaged in maritime pursuits, it is not wonderful they should be unprovided with a class of produce, of which they feel no want themselves. In fact, nations, which purchase from others, must have wherewithal to purchase, and must derive it either from nature or from industry; which shows, that, in the estimation of human wealth, purely natural products must be taken into the account, and not those products only, towards whose production industry must have co-operated with nature; although it is true, that so much industry is always requisite, as the mere act of appropriation implies. T.

sovereign of a savage tribe. The single article glass, that admits light into his apartment, and, at the same time, excludes the inclemency of the weather, is the beautiful result of observation and science, accumulated and perfected during a long course of ages. To obtain this luxury, it was necessary previously to know, what kind of sand was convertible into a substance possessing extension, solidity, and transparency; as well as by the compound of what ingredients, and by what degree of heat, the substance was obtainable: to ascertain, besides, the best form of furnace. The very wood work, that supports the roof of a glass-house, requires, in its construction, the most extensive knowledge of the strength of timber, and of the means of employing it to advantage.

Nor was the mere knowledge of these matters sufficient; for that knowledge might possibly have lain dormant in the memory of one or two persons, or in the pages of literature. It was further requisite, that a manufacturer should have been found, possessed of the means of reducing the knowledge into practice; who should have first made himself master of all that was known of that particular branch of industry, and afterwards have accumulated, or procured, the requisite capital, collected artificers and labourers, and assigned to each his respective occupation.

Finally, the work must have been completed by the manual skill of the workmen employed; some in constructing the buildings and furnaces, some in keeping up the fire, mixing up the ingredients,

blowing, cutting, rolling out, fitting and fixing the pane of glass. The utility and beauty of the resulting product, is inconceivable to those who have never beheld this admirable creation of human industry. By means of industry, the vilest materials have been invested with the highest degree of utility. The very rags and refuse of wearing apparel have been transformed into the white and thin sheets, that convey from one end of the globe to the other, the requisitions of commerce and the particulars of art; that serve as the depositaries of the conceptions of genius, and the vehicles of human experience from one age to another; to them we look for the evidence of our properties; to them we entrust the most noble and amiable sentiments of the heart, and by them we awaken corresponding feelings in the breasts of our fellow creatures. The extraordinary facilities for the communication of human intelligence which paper affords, entitles it to be considered as one of the products, that have been most efficacious in ameliorating the condition of mankind. Fortunate, indeed, would it have been, had an engine so powerful never have been made the vehicle of falsehood, or the instrument of tyranny! (f)

It is worth while to remark, that the knowledge of the man of science, indispensable as it is to the

(f) This burst of imagination, in the midst of so grave a discussion, must be referred rather to the taste of the French public, than of the author. An English reader may think it misplaced. T.

developement of industry, circulates with ease and rapidity from one nation to all the rest. And men of science have themselves an interest in its diffusion; for upon that diffusion they rest their hopes of fortune, and, what is more prized by them, of reputation too. For this reason, a nation, in which science is but little cultivated, may nevertheless carry its industry to a very great length, by taking advantage of the information derivable from abroad. But there is no way of dispensing with the other two operations of industry, the art of applying the knowledge of man to the supply of his wants, and the skill of execution. These qualities are of advantage to none but their possessors; so that a country well stocked with intelligent merchants, manufacturers, and agriculturists, has more powerful means of attaining prosperity, than one devoted chiefly to the pursuit of the arts and sciences. At the period of the revival of literature in Italy, Bologna was the seat of science; but wealth was centered in Florence, Genoa, and Venice.

In our days, the enormous wealth of Britain is less owing to her own advances in scientific acquirements, high as she ranks in that department, than to the wonderful practical skill of her adventurers in the useful application of knowledge, and the superiority of her workmen in rapid and masterly execution. The national pride, that the English are often charged with, does not prevent their accommodating themselves with wonderful facility to the tastes of their customers and the

consumers of their produce. They supply with hats both the north and the south, because they have learnt to make them light for the one market, and warm and thick for the other. Whereas the nation that makes but of one pattern, must be content with the home market only.

The English labourer seconds the master manufacturer; he is commonly patient and laborious, and does not willingly send out an article from his hands, without giving it the utmost possible precision and perfection; not that he bestows more time upon it, but that he gives it more of his care, attention, and diligence, than the workmen of most other nations.

There is no people, however, that need despair of acquiring the qualities requisite to the perfection of their industry. It is but 150 years since England herself had made so little progress, that she purchased nearly all her woollens from Belgium; and it is not more than 80 years since Germany supplied with cotton goods the very nation, that now manufactures them for the whole world.*

I have said, that the cultivator, the manufacturer, the trader, make it their business to turn to profit the knowledge already acquired, and apply it

* The cotton manufacture did not exist in England in the 17th century. In 1705, we see, by the returns of the English customs, that the raw cotton manufactured in that country then amounted to no more than 1,170,880lbs. weight. In 1785, the quantity imported was 6,706,000lbs.; but in 1790 it had got up to 25,941,000 lbs., and in 1817 to as much as 131,951,000 lbs., for the English market and for re-exportation.

to the satisfaction of human wants. I ought further to add, that they have need of knowledge of another kind, which can only be gained in the practical pursuit of their respective occupations, and may be called their technical skill. The most scientific naturalist, with all his superior information, would probably succeed much worse than his tenant, in the attempt to improve his own land. A first-rate mechanist would most likely spin very indifferently without having served his apprenticeship, though admirably skilled in the construction of the cotton-machinery. In the arts there is a certain sort of perfection, that results only from repeated trials, sometimes successful and sometimes the contrary. So that science alone is not sufficient to ensure their progress, without the aid of experiment, which is always attended with more or less of risk, and does not always indemnify the adventurer, whose profit, even when successful, is moderated by competition; although society at large receives the accession of a new product, or, what amounts to the same thing, of an abatement in the price of an old one.

In agriculture, experiments usually cost the rent of the soil for a year or more, over and above the labour and the capital engaged in them.

In manufacture, experiment is hazarded on safer grounds of calculation, capital engaged for a much shorter period, and, if success ensue, the adventurer rewarded by a longer period of exclusive advantage, because his process is less open to observation. In some places, too, the exclusive advantage is

protected by patents of invention. For all which reasons, the progress of manufacturing is generally more rapid and more diversified than that of agricultural industry.

In commercial industry, the risk of experiment would be greater than in the other two branches, if the costs of the adventure had no auxiliary and concurrent object. But it is usually in the course of a regular trade, that a merchant hazards the introduction of a virgin commodity of foreign growth into an untried market. In this manner it was that the Dutch, about the middle of the seventeenth century, while prosecuting their commerce with China, with no very sanguine expectation, made experiment of a small assortment of dried leaves, from which the Chinese were in the habit of preparing their favourite beverage. Thus commenced the tea-trade, which now occasions the annual transport of more than 45 millions of pounds weight, that are sold in Europe for a sum of more than 400,000,000 *fr*.*

In some cases of very rare occurrence, boldness is nearly certain of success. When the Europeans had recently discovered the passage round the Cape of Good Hope and the continent of America, their world was suddenly expanded to the East and West; and such was the infinity of new objects of desire in two hemispheres, whereof one was not at all, and the other but very imperfectly,

* *Voyage Commercial et Politique aux Indes Orientales, par M. Felix Renouard de Sainte Croix.*

known before, that an adventurer had only to make the voyage, and was sure of selling his returns to great advantage.

In all but such extraordinary cases, it is perhaps prudent to defray the charges of experiments in industry, not out of the capital engaged in the regular and approved channels of production, but out of the revenue that individuals have to dispose of at pleasure, without fear of impairing their fortune. The whims and caprices that divert to an useful end the leisure and revenue which most men devote to mere amusement, or perhaps to something worse, cannot be too highly encouraged. I can conceive no more noble employment of wealth and talent. A rich and philanthropic individual may, in this way, be the means of conferring upon the industrious classes, and upon consumers at large, in other words, upon the mass of mankind, a benefit far beyond the mere value of what he actually disburses, perhaps beyond the whole amount of his fortune, however princely it may be. Who will attempt to calculate the value conferred on mankind by the unknown inventor of the plough? *

* Thanks to the art of printing, the names of the benefactors of mankind will henceforward be lastingly recorded: and, if I mistake not, with more veneration, than those which derive lustre from the deplorable exploits of military prowess. Among these will be preserved the names of *Olivier de Serres*, the father of French agriculture; the first who established an experimental farm; of *Duhamel*, of *Malsherbes*, to whom France is indebted for many vegetables now naturalized in her soil

A government, that knows and practises its duties and has large resources at its disposal, does not abandon to individuals the whole glory and merit of invention and discovery in the field of industry. The charges of experiment, when defrayed by the government, are not subtracted from the national capital, but from the national revenue; for taxation never does, or, at least, never ought to touch any thing, beyond the revenues of individuals. The portion of them so spent is scarcely felt at all, because the burthen is divided among innumerable contributors; and, the advantages resulting from success being a common benefit to all, it is by no means inequitable, that the sacrifices, by which they are obtained, should fall on the community at large.

soil and climate: of *La Voisier*, whose new system of chymistry has effected a still more important revolution in the arts; and of the numerous scientific travellers of modern times; for travels, with an useful object, may be regarded as adventures in the field of industry.

CHAP. VII.

OF THE LABOUR OF MANKIND, OF NATURE, AND OF,
MACHINERY RESPECTIVELY.

By the term *labour* I shall designate that continuous action, exerted to perform any one of the operations of industry, or a part only of one of those operations.

Labour, upon whichever of those operations it be bestowed, is productive, because it concurs in the creation of a product. Thus the labour of the philosopher, whether experimental or literary, is productive; the labour of the adventurer or master-manufacturer is productive, although he perform no actual manual work; the labour of every operative workman is productive, from the common day-labourer in agriculture to the pilot that governs the motion of a ship.

Labour of an unproductive kind, that is to say, such as does not contribute to the raising of the products of some branch of industry or other, is seldom undertaken voluntarily; for labour, under the definition above given, implies trouble, and trouble so bestowed could yield no compensation or resulting benefit; wherefore, it would be mere folly or waste in the person bestowing it. When

trouble is directed to the stripping another person of the goods in his possession by means of fraud or violence, what was before mere extravagance and folly, degenerates to absolute criminality. And there results no production, but only a forcible transfer of wealth from one individual to another.

Man, as we have already seen, obliges natural agents, and even the products of his own previous industry, to work in concert with him in the business of production. There will, therefore, be no difficulty in comprehending the terms *labour* or *productive service* of nature, and *labour* or *productive service* of capital.

The labour performed by natural agents, and that executed by pre-existent products, to which we have given the name of capital, are closely analogous, and are perpetually confounded one with the other : for the tools and machines, which form a principal item of capital, are commonly but expedients more or less ingenious, for turning natural powers to account. The steam engine is but a complicated method of taking advantage of the alternation of the elasticity of water reduced to vapour, and of the weight of the atmosphere. So that, in point of fact, a steam-engine employs more productive agency, than the agency of the capital embarked in it: for that machine is an expedient for forcing into the service of man a variety of natural agents, whose gratuitous aid may perhaps infinitely exceed in value the interest of the capital vested in the machine.

It is in this light, that all machinery must be regarded, from the simplest to the most complicated instrument, from a common file to the most expensive and complex apparatus. Tools are but simple machines, and machines but complicated tools, whereby we enlarge the limited powers of our hands and fingers ; and both are, in many respects, mere means of obtaining the co-operation of natural agents.* Their obvious effect is to make less labour requisite for the raising the same quantity of produce, or, what comes exactly to the same thing, to obtain a larger produce from the same quantity of human labour. And this is the grand object and the acmé of industry.

Whenever a new machine, or a new and more expeditious process, is substituted in the place of human labour previously in activity, part of the industrious human agents, whose service is thus ingeniously dispensed with, must needs be thrown out of employ. Whence many objections have

* Generalization may at pleasure be carried still further : a landed estate may be considered as a vast machine for the production of grain, which is refitted and kept in repair by cultivation : or a flock of sheep as a machine for the raising of mutton or wool. (a)

(a) This would be generalization with a vengeance. The use of reducing any part of human knowledge to the form of a specific science depends, in a great measure, upon luminous arrangement and classification ; to which there would be an end in political economy, were land, a primary source of production, to be confounded with machinery, which is at best but a secondary source. T.

been raised against the use of machinery, which has been often obstructed by popular violence, and sometimes by the act of authority itself.

To give any chance of wise conduct in such cases, it is necessary beforehand to acquire a clear notion of the economical effect resulting from the introduction of machinery.

A new machine supplants a portion of human labour, but does not diminish the amount of the product; if it did, it would be absurd to adopt it. When water-carriers are relieved in the supply of a city by any kind of hydraulic engine, the inhabitants are equally well supplied with water. The revenue (*b*) of the district is at least as great, but it takes a different direction. That of the water-carriers is reduced, while that of the mechanists and capitalists, who furnish the funds, is increased. But, if the superior abundance of the product and the inferior charges of its production lower its exchangeable value, the revenue of the consumers is benefited; for to them every saving of expenditure is so much gain.

This new direction of revenue, however advantageous to the community at large, as we shall presently see, is always attended with some painful circumstances. For the distress of a capitalist, when his funds are unprofitably engaged or in a

(*b*) This passage has been added since the former editions; and the author here seems to forget that he is talking of *revenue*, without having explained in what sense he uses the term, or referred us to his own definition of it; for which *vide* Book II. Chap. 2. T.

state of inactivity, is nothing to that of an industrious population deprived of the means of subsistence.

Inasmuch as machinery produces that evil, it is clearly objectionable. But there are circumstances that commonly accompany its introduction, and wonderfully reduce the mischiefs, while at the same time they give full play to the benefits of the innovation. For,

1. New machines are slowly constructed, and still more slowly brought into use; so as to give time for those who are interested, to take their measures, and for the public administration to provide a remedy.*

2. Machines cannot be constructed without considerable labour, which gives occupation to the hands they throw out of employ. For instance, the supply of a city with water by conduits gives increased occupation to carpenters, masons, smiths, paviours, &c. in the construction of the works, the laying down the main and branch pipes, &c., &c. (c)

* Without having recourse to local or temporary restrictions on the use of new methods or machinery, which are invasions of the property of the inventors or fabricators, a benevolent administration can make provision for the employment of sup-
planted or inactive labour, in the construction of works of
public

(c) This item of alleviation is not very satisfactory. The original construction creates indeed an additional demand of labour;
but

3. The condition of consumers at large, and, consequently, amongst them of the class of labourers affected by the innovation, is improved by the reduced value of the product that class was occupied upon.

Besides, it would be vain to attempt to avoid the transient evil, consequential upon the invention of a new machine, by prohibiting its employment. If beneficial, it is or will be introduced somewhere or other; its products will be cheaper than those of labour conducted on the old principle; and sooner or later that cheapness will run away with the consumption and demand. Had the cotton spinners on the old principle, who destroyed the spinning-jennies on their introduction into Normandy, in 1789, succeeded in their ob-

public utility at the public expence, as of canals, roads, churches, or the like; in extended colonization; in the transfer of population from one spot to another. Employment is the more readily found for the hands thrown out of work by machinery, because they are commonly already inured to labour.

but it does not supplant labour previously in activity until completed: so that, in fact, the establishment of machinery, while in progress, enhances the general demand for labour; and, when complete, reduces that demand in an aggravated degree: since the maintenance and repair of the machinery can hardly be supposed to occupy permanently even the labour employed in the construction. But the merits of machinery stand on much higher ground, the ground of permanent and general benefit far exceeding the temporary and particular hardship; and there is no occasion to be solicitous in search of excuses and palliations of that hardship. T.

ject, France must have abandoned the cotton manufacture; every body would have bought the foreign article, or used some substitute: and the spinners of Normandy, who, in the end, most of them found employment in the new establishments, would have been yet worse off for employment.

So much for the immediate effect of the introduction of machinery. The ultimate effect is wholly in its favour.

Indeed, if by its means man makes a conquest of nature, and compels the powers of nature and the properties of natural agents to work for his use and advantage, the gain is too obvious to need illustration. There must always be an increase of product, or a diminution in the cost of production. If the sale-price of a product do not fall, the acquisition redounds to the profit of the producer, and that without any loss to the consumer. If it do fall, the consumer is benefited to the whole amount of the fall, without any loss to the producer.

The multiplication of a product commonly reduces its price: that reduction extends its consumption; and so its production, though become more rapid, nevertheless gives employment to more hands than before. It is beyond question, that the manufacture of cotton now occupies more hands in England, France, and Germany, than it did before the introduction of the machinery, that has abridged and perfected this branch of manufacture in so remarkable a degree.

Another striking example of a similar effect is

presented by the machine used to multiply with rapidity the copies of a literary performance, — I mean the printing-press.

Setting aside all consideration of the prodigious impulse given by the art of printing to the progress of human knowledge and civilization, I will speak of it merely as a manufacture, and in an economical point of view. When printing was first brought into use, a multitude of copyists were of course immediately deprived of occupation ; for it may be fairly reckoned, that one journeyman printer does the business of two hundred copyists. We may, therefore, conclude that 199 out of 200 were thrown out of work. What followed? Why, in a little time, the greater facility of reading printed than written books, the low price to which books fell, the stimulus this invention gave to authorship, whether devoted to amusement or instruction, the combination, in short, of all these causes, operated so effectually, as to set at work, in a very little time, more journeymen printers than there were formerly copyists. And if we could now calculate with precision, besides the number of journeymen printers, the total number of other industrious people, that the press finds occupation for, whether as type-founders and moulders, paper-makers, carriers, compositors, bookbinders, or booksellers, and the like, we should probably find, that the number of persons occupied in the manufacture of books is now 100 times what it was before the art of printing was invented.

It may be allowable to add, that viewing human labour and machinery in the aggregate, in the supposition of the extreme case, viz. that machinery should be brought to supersede human labour altogether, yet the numbers of mankind would not be thinned, for the sum total of products would be the same, and there would probably be less suffering to the poorer and labouring classes to be apprehended; for in that case the momentary fluctuations, that distress the different branches of industry, would principally affect machinery, which, and not human labour, would be paralysed; and machinery cannot die of hunger: it can only cease to yield profit to its employers, who are generally farther removed from want than mere labourers.

But, however great may be the advantages, which the adventurers in industry, and even the operative classes, may ultimately derive from the employment of improved machinery, the great gain accrues to the consumers, which is always the most important class, because it is the most numerous; because it comprehends every description of producers whatever; and because the welfare of this class, wherein all others are comprised, constitutes the general well-being and prosperity of a nation.* I repeat, that it is the con-

* Paradoxical as it may appear, it is nevertheless true, that the labouring class is of all others the most interested in promoting the economy of human labour; for that is the class,

sumers who draw the greatest benefit from machinery; for, though the inventor may indeed for some years enjoy the exclusive advantage of his invention, which it is highly just and proper he should, yet there is no instance of a secret remaining long undivulged. Nothing can long escape publicity, least of all what people have a personal interest in discovering, especially if the secret be necessarily confided to the discretion of a number of persons employed in constructing or in working the machine. The product is thenceforward cheapened by competition to the full extent of the saving in the costs of production; and thenceforward begins the full advantage to the consumer. The grinding of corn is probably not more profitable to the miller now than formerly; but it costs infinitely less to the consumer.

Nor is cheapness the sole benefit, that the consumer reaps from the introduction of more expeditious processes: he generally gains in addition the greater perfection of the product. Painters could undoubtedly execute with the brush or pencil the designs that ornament our printed

which benefits the most by the general cheapness, and suffers the most from the general dearness of commodities. (a)

(a) The former part of this proposition may be much questioned; it being natural to conclude, that the class, which has possessed itself of the permanent sources of production, will derive the most benefit from their fecundity. It is true, that suffering and privation is most severely felt by the class, whose wants are most scantily supplied. T.

calicoes and furniture papers; but the copper-plates and rollers employed for that purpose give a regularity of pattern, and uniformity of colour, which the most skilful artist could never equal.

The close pursuit of this enquiry through all the arts of industry would show, that the advantage of machinery is not limited to the bare substitution of it for human labour, but that, in fact, it gives a positive new product, inasmuch as it gives a degree of perfection before unknown. The flatting-mill and the die execute products, that the utmost skill and attention of the human hand could never accomplish.

In fine, machinery does still more; it multiplies products, with which it has no immediate connection. Without taking the trouble to reflect, one perhaps would scarcely imagine, that the plough, the harrow, and other similar machines, whose origin is lost in the night of ages, have powerfully contributed to procure for mankind, besides the absolute necessities of life, a vast number of the superfluities they now enjoy, whereof they would otherwise never have had any conception. Yet, if the different dressings the soil requires could be no otherwise given, than by the spade, the hoe, and other such simple and tardy expedients, if we were unable to make available in agricultural production those domestic animals, that, in the eye of political economy, are but a kind of machines, it is most likely that the whole mass of human labour, now applicable to the arts

of industry, would be occupied in raising the bare necessary subsistence of the actual population. Thus, the plough has been instrumental in releasing a number of hands for the prosecution of the arts even of the most frivolous kind ; and, what is of more importance, for the cultivation of the intellectual faculties.

The antients were unacquainted with water or wind-mills. In their time, the wheat their bread was made of was pounded by the labour of the hand : so that perhaps no less than twenty individuals were occupied in pounding as much wheat as one mill can grind.* Now a single miller, or two at the most, is enough to feed and superintend a mill. By the aid, then, of this ingenious piece of mechanism, two persons are as productive as twenty were in the days of Cæsar. Wherefore, in every one of our mills, we make the wind, or a current of water, do the work of eighteen persons ; which eighteen extra persons are just as well provided with subsistence ; for the mill has in no respect diminished the general produce of the community ; and whose exertions may be directed to the creation of new products, to be given by them in exchange for the produce of the mill ;

* Homer tells us, in the *Odyssey*, b. xx., that twelve women were daily employed in grinding corn for the family consumption of Ulysses, whose establishment is not represented as larger than that of a private gentleman of fortune of modern days.

thereby augmenting the general wealth of the community.*

* Since the publication of the third edition of this work, M. de Sismondi has published his *Nouveaux Principes d'Economie Politique*. This valuable writer seems to have been impressed with an exaggerated notion of the transient evils, and a faint one of the permanent benefits of machinery, and to be utterly unacquainted with those principles of the science, which place those benefits beyond controversy. (a)

(a) Our author, in his recent argument with Malthus, upon the subject of the excess of manufacturing power and produce, appears to me to have completely vindicated his own positions against the attacks of Sismondi and Malthus; and to have exposed the fallacy of the appalling doctrine, that the powers of human industry can ever be too great and too productive. *Vide, Lettres à M. Malthus.*

CHAP. VIII.

OF THE ADVANTAGES AND DISADVANTAGES RESULTING FROM
DIVISION OF LABOUR, AND OF THE EXTENT TO WHICH IT
MAY BE CARRIED.

WE have already observed, that the several operations, the combination of which forms but one branch of industry, are not in general undertaken or performed by the same person; for they commonly require different kinds of talent; and the labour requisite to each is enough to take up a man's whole time and attention. Nay, in some instances, a single one of these operations is split again into smaller subdivisions, each of them sufficient for one person's exclusive occupation.

Thus, the study of nature is shared amongst the chemist, the botanist, the astronomer, and many other classes of students in philosophy.

Thus, too, in the application of human knowledge to the satisfaction of human wants, in manufacturing industry, for instance, we find different classes of manufacturers employed exclusively in the fabric of woollens, pottery, furniture, cottons, &c. &c.

Finally, in the executive part of each of the three branches of industry, there are often as many

different classes of workmen as there are different kinds of work. To make the cloth of a coat, there must have been set to work the several classes of spinners, weavers, dressers, shearers, dyers, and many other classes of labourers, each of whom is constantly and exclusively occupied upon one operation.

The celebrated Adam Smith was the first to point out the immense increase of production, and the superior perfection of products referable to this division of labour.* He has cited, among other examples, the manufacture of pins. The

* *Beccaria*, in a public course of lectures on political economy, delivered at Milan in the year 1769, and before the publication of Smith's work, had remarked the favourable influence of the division of labour upon the multiplication of products. These are his words: "*Ciascuno prova coll' esperienza, che, applicando la mano e l'ingegno sempre allo stesso genere di opere e di prodotti, egli più facili, più abbondanti e migliori ne trova i risultati, di quello, che se ciascuno isolatamente le cose tutte a se necessarie soltanto facesse: onde altri pascono le pecore, altri ne cardano le lane, altri le tessono: chi coltiva biade, chi ne fa il pane; chi veste, chi fabbrica agli agricoltorie lavoratori; crescendo e concatenandosi le arti, e dividendosi in tal maniera, per la comune e privata utilità gli uomini in varie classi e condizioni.*" "We all know by personal experience, that, by the continual application of the corporeal and intellectual faculties to one peculiar kind of work or product, we can obtain the product with more ease, and in greater abundance and perfection, than if each were to depend upon his own exertions for all the objects of his wants. For this reason, one man feeds sheep, a second cards the wool, and a third weaves it: one man cultivates wheat, another makes bread, another makes clothing or lodging for the cultivators and mechanics: this multiplication and concatenation of the arts,

workmen occupied in this manufacture execute each but one part of a pin. One draws the wire, another cuts it, a third sharpens the points. The head of the pin alone requires two or three distinct operations, each performed by a different individual. By means of this division, an ill-appointed establishment, with but ten labourers employed, could make 48,000 pins per day, by Smith's account. Whereas, if each person were obliged to finish off the pins one by one, going through every operation successively from first to last, each would probably make but 20 per day, and the ten workmen would produce in the whole but 200, in lieu of 48,000.

Smith attributes this prodigious difference to three causes :

1. The improved dexterity, corporeal and intellectual, acquired by frequent repetition of one simple operation. In some fabrics, the rapidity with which some of the operations are performed exceeds what the human hand could, by those who had never seen them, be supposed capable of acquiring.

2. The saving of the time which is commonly

arts, and division of mankind into a variety of classes and conditions, operating to promote both public and private welfare."

However, I have given Smith the credit of originality in his ideas of the division of labour; first, because, in all probability, he had published his opinions from his chair of professor of philosophy at Glasgow before Beccaria, as it is well known he did the principles that form the ground-work of his book; but chiefly because he has the merit of having deduced from them the most important conclusions.

lost in passing from one species of work to another, and in the change of place, position, and tools. The attention, which is always slowly transferred, has no occasion to transport itself and settle upon a new object.

3. The invention of a great number of machines, which facilitate and abridge labour in all its departments. For the division of labour naturally limits each operation to an extremely simple task, and one that is incessantly repeated; which is precisely what machinery may most easily be made to perform.

Besides, men soonest discover the methods of arriving at a particular end, when the end is approximate, and their attention exclusively directed to it. Discoveries, even in the walk of philosophy, are for the most part referable, in their origin, to the subdivision of labour; because it is this subdivision that enables men to devote themselves to the exclusive pursuit of one branch of knowledge; which exclusive devotion has wonderfully favoured their advancement.*

Thus the knowledge or theory necessary to the advancement, of commercial industry for instance,

* But though many important discoveries in the arts have originated in division of labour, we must not refer to that source the actual products that have resulted, and will to eternity result, from those discoveries. The increased product must flow from the productive power of natural agents, no matter what may have been the occasion of our first becoming acquainted with the means of employing those agents. *Vide supra*, Chap. IV.

attains a far greater degree of perfection, when different persons engage in the several studies, one of geography, with the view of ascertaining the respective position and products of different countries; another of politics, with a view to inform himself of their national laws and manners, and the advantages and disadvantages of commercial intercourse with them; a third of geometry and mechanics, by way of determining the preferable form of the ships, carriages, and machinery of all kinds, that must be employed; a fourth of astronomy and natural philosophy, for the purposes of navigation, &c. &c.

Thus, too, the application of knowledge in the same department of commercial industry will obviously arrive at a higher degree of perfection, when divided amongst the several branches of internal, Mediterranean, East and West Indian, American, wholesale and retail, &c. &c.

Moreover, such a division is no obstacle to the combination of operations not altogether incompatible, more especially if they aid and assist each other. There is no occasion for two different merchants to conduct, one the trade of import for home consumption, and the other the trade of export of home products; because these operations, far from clashing, mutually facilitate and assist each other. (*a*)

The division of labour cheapens products, by

(*a*) The combination of operations, which, at first sight, appears to be distinct, is far more practicable in what our author calls

raising a greater quantity at the same or a less charge of production. Competition soon obliges the producer to lower the price to the whole amount of the saving effected; so that he derives much less benefit than the consumer; and every obstacle the latter throws in the way of that division is an injury to himself.

Should a tailor try to make his own shoes as well as his coat, he would infallibly ruin himself.* We see every day people acting as their own merchants, to avoid paying a regular trader the ordinary profit of his business; to use their own expression, with the view of pocketing that profit themselves. But this is an erroneous calculation; for this division of labour enables the regular dealer to execute the business for them much cheaper than they can do it themselves. Let them reckon up the trouble it costs them, the loss of time, the

* The low price of sugar in China is probably occasioned, in part, by the circumstance of the grower leaving to a separate class the extraction of the sugar from the cane. This operation is performed by itinerant sugar pressers, who go from house to house, offering their services, and provided with an extremely simple apparatus. *Vide* Macartney's Embassy, vol. iv. p. 198.

calls the branch of application, than in either the theoretical or the executive branch. A general merchant, by means of clerks and brokers, will combine a vast variety of different commercial operations, and yet prosper. Why? Because his own peculiar task is that of superintendence of commercial dealings; which superintendence may be extended over a greater surface of dealing without incongruity, being, on a closer inspection, but a repetition of the same operation. T.

money thrown away in extra charges, which is always proportionally more in small than in large operations, and see if all these together do not amount to more than the two or three per cent. that might be saved on every paltry item of consumption; even supposing them not to be deprived of what little advantage they might expect, by the avarice of the cultivator or manufacturer they would have to deal directly with, who will of course impose, if he can, upon their inexperience.

It is no advantage even to the cultivator or manufacturer himself, except under very particular circumstances, to intrude upon the province of the merchant, and endeavour to deal directly with the consumer without his intervention. He would only divert his attention from his ordinary occupation, and lose time that might be far better employed in his own peculiar line; besides being under the necessity of keeping up an establishment of people, horses, carriages, &c. the expenses of which would far exceed the merchant's profit, reduced as it always must be by competition.

The advantages accruing from division of labour can be enjoyed in respect of particular kinds of products only; and not in them, until their consumption has exceeded a certain point of extension. (*b*) Ten workmen can make 48,000 pins in

(*b*) The division of labour and the extension of consumption advance together in a sort of alternation: first, briskness of demand; next, division of labour and increase of supply; then increase of consumption and demand, followed by fresh division of labour; and so on, one after the other, to an indefinable

a day; but would hardly do so, unless where there was a daily consumption of pins to that amount; for, to arrive at this degree of division of labour, one workman must be wholly and exclusively occupied in sharpening the points, while the rest are severally engaged, each in a different part of the process. If there be a daily demand for no more than 24,000, he must needs lose half his day's work, or change his occupation; in which case, the division of labour will be less extensive and complete.

For this reason, division of labour cannot be carried to the extreme limit, except in products capable of distant transport and the consequent increase of consumption; or where manufacture is carried on amidst a dense population, offering an extensive local consumption. (c) For the same reason too, many kinds of work, the products of which are destined to instantaneous consumption, are executed by the same individual, in places

degree. But the advance generally originates in the anxiety of some one of the producers to economize his own labour or outlay without diminishing his receipts. T.

(c) Wherefore, division of labour cannot be very far advanced, unless the consumption of the population at large be extremely varied; in other words, unless the wants of the population at large be multiplied, and those wants amply supplied; for then only can there be such a general demand for all sorts of objects of desire, as will admit of much division of labour in the preparation of all. This particular is worth the attention of such advocates for division of labour, as indulge in declamation against the increasing luxury of the lower classes. T.

where the population is limited. In a small town or village the same person is often barber, surgeon, doctor, and apothecary; while in a populous city, and there only, these are not merely separate and distinct occupations, but some of them are again subdivided into several branches; that of the surgeon, for instance, is split into the several occupations of dentist, oculist, accoucheur, &c.; each of which practitioners, by confining his practice to a single branch of this extensive art, acquires a degree of skill, which, but for this division, he could never attain.

The same circumstance applies equally to commercial industry. Take the village grocer; the consumption of his groceries is so limited, as to oblige him to be at the same time haberdasher, stationer, innkeeper, and God knows what, perhaps even news-writer and publisher; whereas in large cities, not only grocery at large, but even the sale of a single article of grocery, is a great commercial concern. At Paris, London, and Amsterdam, there are shops, where nothing else is sold but the single article tea, oil, or vinegar; and it is natural to suppose, that such shops have a much better assortment of the single article, than those dealing in many different commodities at once. Thus, in a rich and populous country, the carrier, the wholesale, the intermediate, and the retail dealer conduct each a separate branch of commercial industry, and conduct it with greater perfection as well as greater economy. Yet they all benefit by this economy; and that they do so, if

the explanations already given are not convincing, experience bears irrefragable testimony; for consumers always buy cheapest, where commercial industry is the most subdivided. *Ceteris paribus*, a commodity brought from the same distance is sold cheaper at a large town or fair, than in a village or hamlet.

The limited consumption of hamlets and villages, besides obliging dealers to combine many elsewhere distinct occupations, prevents many articles from finding a regular sale at all seasons. Some are not presented for sale at all, except on market or fair days; on such days the whole week's or perhaps year's consumption is laid in. On all other days, the dealer either travels elsewhere with his wares, or finds some other kind of occupation. In a very rich and very populous district, the consumption is so great, as to make the sale of one article only quite as much as a trader can manage, though he devote every day in the week to the business. Fairs and markets are expedients of an early stage of national prosperity; the trade by caravans of a still earlier stage of inter-national commerce; but even these expedients are far better than none at all.*

* The country markets of France not only exhibit extreme inertness in particular channels of consumption; but a very cursory observation is sufficient to show, that the sale of products in them is very limited, and the quality of what are sold very inferior. Besides the local products of the district, one sees nothing there, except a few tools, woollens, linens, and cottons of the most inferior quality. In a more advanced stage

From the necessity of the existence of a very extended consumption, before division of labour can be carried to its extreme point, it follows, that such division can never be introduced in the manufacture of products, which, from their high price, are placed within reach of few purchasers. In jewellery, especially of the better kinds, it is practised in a very limited degree; and such division being, as we have seen, one cause of the invention and application of ingenious processes, it is not surprising, that such processes are least often met with in the preparation of products of highly finished workmanship. In visiting the workshop of a lapidary, one is often dazzled with the costliness of the materials, and the skill and patience of the workman; but it is only in the grand manufactories of articles of universal consumption, that one is astonished with the display of ingenuity employed to give additional expedition and perfection to the product. In looking at an article

of prosperity, one would find some few objects of gratification of wants peculiar to a more refined state of existence: some articles of furniture combining convenience and elegance of form; woollens of some variety of fineness and pattern; articles of food of a more expensive kind, whether on account of their preparation or the distance they may have been brought from; a few works of instruction or tasteful amusement; a few books besides mere almanacks and prayer books. In a still more advanced stage, the consumption of all these things would be constant and extensive enough to support regular and well-stocked shops in all these different lines. Of this degree of wealth examples are to be found in Europe, particularly in parts of England, Holland, and Germany.

of jewellery, it is easy to form an idea of the tools and processes, by means of which it has been executed; whereas few people, on viewing a common stay-lace, would suppose it had been made by a horse or a current of water, which is actually the case.

Of the three branches of industry, agriculture is the one that admits division of labour in the least degree. It is impossible to collect any great number of cultivators upon the same spot, to use their joint exertions in the raising of one and the same product. The soil they work upon is extended over the whole surface of the globe, and obliges them to work at considerable distance from each other. Besides, agriculture does not allow of one person being continually employed in the same operation. One man cannot be all the year ploughing or digging, any more than another can find constant occupation in gathering in the crop. Moreover, it is very rarely that the whole of one's land can be devoted to the same kind of cultivation, or that the same kind of cultivation can be continued upon any one spot for many successive years. The land would be exhausted; and, supposing the cultivation of the whole property to be uniform, yet even then the preparing and dressing of the whole ground, and the getting in of the whole of the crops, would come on at the same time, and the labourers be unoccupied at other periods of the year.*

* It is not common to meet with such large concerns in agriculture, as in the branches of commerce and manufacture.

Moreover the nature of his occupation and of agricultural products makes it highly convenient for the cultivator to raise his own vegetables, fruit, and cattle, and even to manufacture part of the tools and utensils employed in his house-keeping; though in the other channels of industry, these items of consumption give exclusive occupation to a number of distinct classes.

Where concerns of industry are carried on in manufactories, in which one and the same master-manufacturer conducts the product through all its stages, he can never establish any great subdivision of the various operations, without great command of capital. For such division requires larger advances of wages, of raw materials, and of tools and implements. Where eighteen workmen manufacture but twenty pins each *per* day, that is to say, in all 360 pins, weighing scarcely an ounce of metal, the daily advance of an ounce of fresh metal is enough to keep them in regular work.

A farmer or proprietor seldom undertakes more than four or five hundred acres, and his concern, in point of capital and amount of produce, does not exceed that of a middling tradesman or manufacturer. This difference is attributable to many concurrent causes; chiefly to the extensive area this branch of industry requires; to the bulky nature of the produce, and the consequent difficulty of collecting it at one point from the distant parts of the farm, or sending it to very remote markets; to the nature of the business itself, which is not susceptible of any regular and uniform system, and requires in the adventurer a succession of temporary expedients and directions, suggested by the difference of culture, of manuring and dressings, and the variety of each labourer's occupations, according to the season, the change of weather, &c.

But if, in consequence of division of labour, these same eighteen persons can be brought, as we know they can, to produce 86,400 pins, the daily supply of raw material requisite for their regular employ will be 240 ounces' weight of metal; consequently a much more considerable advance will be called for. If we further take into calculation, that there is an interval of probably a month or more, from the purchase of the metal by the manufacturer to the period of his reimbursement by the sale of his pins, we shall find, that he must necessarily have at all times on hand, in different stages of progressive manufacture, 30 times 240 ounces of metal; in other words, the portion of his capital vested in raw material alone will amount to the value of 450lbs. of metal. (*d*) In addition to which, it must be observed, that the division of labour cannot be effected without the aid of various implements and machines, that form themselves an important item of capital. Thus, in poor countries, we frequently find a product carried through all its stages, from first to last, by one and the same workman, from mere want of the capital requisite for a judicious division of the different operations.

(*d*) The time intervening before the returns come to hand, is probably quite as great in one case as in the other. And, though it is undoubtedly true, that, in the improved state of the manufacture, a larger capital must be centered in an individual or upon one spot, yet the same product will be raised by the employment of a much smaller capital: the expence of wages alone will have been reduced in the ratio of 240 to 1. T.

We must not however suppose, that, to effect this division of labour, it is necessary the capital should be placed all in the hands of a single adventurer, or the business conducted all within the walls of one grand establishment. A pair of boots undergoes a variety of processes, whereof all are not executed by the bootmaker alone; the grazier, the tanner, the currier, all others, who immediately or remotely furnish any substance or tool used in the making of boots, contribute to the raising of the product; and though there is a very considerable subdivision of labour in the making of this article, the greater part of the joint and concurrent producers may have very little command of capital.

Having detailed the advantages of the subdivision of the various occupations of industry, and the extent to which it may be carried, the view of the subject would be incomplete, were we to omit noticing, on the other hand, the inconveniences that inseparably attend it.

A man, whose whole life is devoted to the execution of a single operation, will most assuredly acquire the faculty of executing it better and quicker than others; but he will, at the same time, be rendered less fit for every other occupation, corporeal or intellectual; his other faculties will be gradually blunted or extinguished; and the man, as an individual, will degenerate in consequence. To have never done any thing but make the eighteenth part of a pin, is a sorry account for a human being to give of his existence. Nor

is it to be imagined, that this degeneracy from the dignity of human nature is confined to the labourer, that plies all his life at the file or the hammer; men, whose professional duties call into play the finest faculties of the mind, are subject to similar degradation. This division of occupations has given rise to the profession of attornies, whose sole business it is to appear in the courts of justice instead of the principals, and to follow up the different steps of the process on their behalf. These legal practitioners are, confessedly, seldom deficient in technical skill and ability; yet it is not uncommon to meet with men, even of eminence in this profession, wholly ignorant of the most simple processes of the manufactures they every day make use of; who, if they were set to work to mend the simplest article of their furniture, would scarcely know how to begin, and could probably not drive a nail, without exciting the risibility of every awkward carpenter's apprentice; and if placed in a situation of greater emergency, called upon, for instance, to save a drowning friend, or to rescue his fellow townsman from a hostile attack, would be in a truly distressing perplexity; whereas a rough peasant, inhabiting a semi-barbarous district, would probably extricate himself from a similar situation with honour. (e)

(e) The example is not very happily selected. Attornies, English attornies at least, are commonly distinguished for general intelligence, acquired in their extensive intercourse

With regard to the labouring class, the incapacity for any other than a single occupation renders the condition of mere labourers more hard and wearisome, as well as less profitable. They have less means of enforcing their own right to an equitable portion of the gross value of the product. The workman, that carries about with him the whole implements of his trade, can change his locality at pleasure, and earn his subsistence wherever he pleases : in the other case, he is a mere adjective, without individual capacity, independence, or substantive importance, when separated from his fellow labourers ; and obliged to accept whatever terms his employer thinks fit to impose. (f)

On the whole, we may conclude, that division of labour is a skilful mode of employing human

with the world. The more exclusively the attention is devoted to one subject, the less it can rest on all others. Hence it is, that commentators, philologists, polemic writers, and classical pedants of every description, are, in general, so little fitted for social intercourse ; and mechanics so ignorant of the branches, properties, and products of nature. The occupations of these classes are too monopolizing and exclusive. T.

(f) In England it has been the fashion to think the power of combination, which manufacturing labourers enjoy in an extraordinary degree, at least a counterpoise to the loss of substantive importance. But probably our author is right ; for the combination of masters is far more practicable than that of workmen : first, because a few heads can be brought to agree more easily than a great number ; secondly, because the masters, being capitalists, can hold out the longest. *Vide infra*, Book II. Chap. 7. § 4. T.

agency; that it consequently multiplies the productions of society, in other words, the powers and the enjoyments of mankind; but that it in some degree degrades the faculties of man in his individual capacity. (g)

(g) This consideration makes it peculiarly incumbent upon the government of a manufacturing nation to diffuse the benefits of early education, and thus prevent the degeneration from being intellectual as well as corporeal. T.

CHAP. IX.

OF THE DIFFERENT METHODS OF EMPLOYING COMMERCIAL INDUSTRY, AND THE MODE IN WHICH THEY CONCUR IN PRODUCTION.

COMMODITIES are not all to be had in all places indifferently. The immediate products of the earth depend upon the local varieties of soil and climate; and even the products of industry are met with only in such places, as are most favourable to their production.

Whence it follows, that, where products, whether of industry or of the earth, do not grow naturally, they cannot be introduced or produced in a perfect state, and fit for consumption, without undergoing a certain modification; that is to say, that of transport or conveyance.

This transfer gives occupation to what has been called commercial industry.

External commerce consists of the supply of the home market with foreign, and of foreign markets with home products.*

* Products that are brought to be re-sold, are called *merchandise*; and merchandise brought for consumption is denominated *commodities*. (a)

(a) This distinction has been discarded in the translation; for the sake of simplification; the general term products being sufficiently intelligible and specific. T.

Internal commerce consists of the buying and re-selling of home products in the home markets.

Wholesale commerce is, the buying in large quantities, and re-selling to inferior dealers.

Retail commerce is, the buying of wholesale dealers, and re-selling to consumers.

The commerce of money or specie is conducted by the banker, who receives or pays on account of other people, or gives bills, orders, or letters of credit, payable elsewhere than at the place where they are given. This is sometimes called the banking trade. (*a*)

The broker brings buyers and sellers together.

The persons engaged in these several branches are all agents of commercial industry, whose agency tends to approximate products to the hands of the ultimate consumer. The agency of the retailer of an ounce of pepper is quite as indispensable to the consumer, as that of the merchant, who dispatches his vessel to the Moluccas for a cargo; and the only reason why these different functions are not both performed by one and the same individual is, because they can be

(*a*) The Banker's business is not confined to dealings in metal, coined or uncoined, but is extended to dealings in paper-money, and dealings in credit, as we shall see when we come to the chapter upon money, *infra*. T.

executed with more economy and convenience by two. To enter minutely into an examination of the limits and practices of these various departments of commercial industry, would be to write a treatise on commerce.* All we have to do in this work is, to enquire in what manner and degree they influence the production of values.

In Book II., we shall see how the actual demand for a product, originating in its utility, is limited by the amount of the costs of production, and upon what principle its relative value is determined in each particular place. At present it is sufficient for the clear conception of commercial matters, to consider the value of a product as a given quantity or *datum*. Thus, without examining the reason, why oil of olives is worth at Marseilles thirty, and at Paris forty *sous* per lb. I shall content myself with simply stating, that whoever executes the transport of that article from Marseilles to Paris thereby increases its value to the amount of ten *sous* per lb. Nor is it to be supposed, that its intrinsic value has received no accession by the transit. That value is positively augmented. The intrinsic value of silver is greater at

* A complete treatise on commerce is still a desideratum in literature, notwithstanding the labours of *Melon* and *Forbonnais*, for hitherto the principles and consequences of commerce have been little understood.

Paris than at Lima; and the cases are precisely similar. (*b*)

In fact, the transport of products cannot be effected without the concurrence of a variety of means, which have each an intrinsic value of their own, and of which the actual transport itself, in the literal and confined sense of the term, is commonly not the most chargeable. There must be one commercial establishment at the place where the products are collected; another at the place it is transported to; besides package and warehousing. There must be an advance of capital (*c*), equivalent to the value trans-

(*b*) Silver has probably no more utility in Europe than in Peru. The difference of value arises from the different ratio of intensity of difficulty of attainment, which must exist in some ratio or other to give any value at all. *Vide suprà*, Chap. 2. *in notis*. The aggregate utility, *plus* the surmounted difficulty of attainment, of any product determines its positive value at any given time and place: and the comparison of these two ingredients on the one side and on the other determines the relative value of two or more products. It is singular that this circumstance was overlooked by our author, who appears in different passages of this work, and more especially in his recent letters to our Malthus, to have an indistinct notion of this necessary ingredient of value. Ricardo seems to have a clear idea of it, although he has no where made it sufficiently intelligible. *Vide Essay on Pol. Econ. and Tax.* c. 20. on the distinction between value and riches. T.

(*c*) This is not always necessary: the product may be transferred upon credit, as we shall see in the proper place, that is to say, under the head of *Money*. T.

ported. Moreover, there are agents, insurers, and brokers, to be paid. All these are really productive occupations, since, without their agency, the consumer can never enjoy the product; and supposing their remuneration to be reduced by competition to the lowest rate possible, he can be in no way cheaper supplied.

In commercial, as well as manufacturing industry, the discovery of a more economical or more expeditious process, the more skilful employment of natural agents, the substitution, for instance, of a canal in place of a road, or the removal of a difficulty interposed by nature or by human institutions (*d*), reduces the costs of production, and procures a gain to the consumer, without any consequent loss to the producer, who can lower his price without prejudice to himself, because his own outlay and advance are likewise reduced.

The same principles govern both external and internal commerce. The merchant that exports silks to Germany or to Russia, and sells at Petersburg for 8*fr.* per yard stuffs that have cost but 6*fr.* at Lyons, creates a value of 2*fr.* per yard. If the same merchant brings a return cargo of peltry from Russia, and sells at Havre for 1200

(*d*) To this head all the productive services of commerce may be resolved; for it is not strictly the department of commerce to discover latent utility, but to surmount an actual intervening difficulty of attainment, *viz.* the distance between the product and its consumer. T.

fr. what cost him at Riga but 1000 *fr.*, or a value equivalent to 1000 *fr.* there will be a new value of 200 *fr.* created and shared amongst the different agents engaged in this production of value, whatever nation they may belong to, and whatever be the relative importance of their respective productive agency, from the first-rate merchant to the ticket-porter inclusive.* And, by this creation of value, the wealth of the French nation is enriched to the amount of all the gains of French industry, and of French capital, in the course of this production; and the Russian nation to the amount of those of Russian industry and Russian capital. Nay, perhaps a third nation, independent both of France and of Russia, may get the whole profit accruing from the mutual commercial intercourse between these nations; and yet neither of them lose any thing, if their industry and capital have other equally lucrative employments at home. The very circumstance of the existence of an active external commerce, no matter what agents it be conducted by, is a very powerful stimulus to internal industry. The Chinese, who abandon the whole of their external commerce to other nations, must nevertheless raise an enormous gross product, otherwise they could never support, as they do, a population twice as large as that of all Europe, upon a surface of nearly equal extent. A shop-keeper in good business is quite as well off as a

* The ordinary proportions of this division will be explained *infra*, Book II. Chap. 7.

pedlar that travels the country with his wares on his back.* Commercial jealousy is, after all, nothing but prejudice: it is a wild fruit, that will drop of itself when it has arrived at maturity.

The external commerce of all countries is inconsiderable, compared with the internal. To convince ourselves of the truth of this position, it will be sufficient to take note at all numerous or even sumptuous entertainments, how very small is the proportion of values of foreign growth, in comparison with those of home production; especially, if we take into the account, as we ought to do, the value of buildings and habitations, which is necessarily of home production.† (*d*)

* It has been often asked, Why not combine commercial with agricultural and manufacturing productions? Why, for the same reason, that makes a wholesale cotton spinner, if he have a surplus of time and capital, more apt to extend his spinning concern, than to employ his labour and capital in the working up of his own filature into muslin and printed calicoes.

† It would be impossible to estimate the proportion with any tolerable accuracy, even in countries, where calculations of this kind are most in vogue. Indeed, the attempt would be a sad waste of time. To say the truth, statistical statements are of little real utility; for, be their accuracy ever so well

(*d*) This position may be correct or not, according to circumstances. The national wants must always, in the long run, be supplied by the national industry and exertions: but what is there to prevent a nation from exchanging the larger portion of its domestic products for the products of other nations?

The

The internal commerce of a country, though, from its minute ramification, it is less obvious and striking, besides being the most considerable, is likewise the most advantageous. For both the remittances and returns of this commerce are necessarily home products. It sets in motion a double production, and the profits of it are not participated with foreigners. For this reason, roads, canals, bridges, the abolition of internal duties(*f*), tolls, duties on transit(*g*), which are in effect tolls, every measure, in short, which promotes internal circulation, is favourable to national wealth.

There is a further branch of commerce, called the trade of speculation, which consists in the purchase

well assured, they can only be correct for the moment. The only knowledge really useful is, the knowledge of general principles and laws, that is to say, the knowledge of the connexion between cause and effect, which alone can safely teach us what measures it is best to adopt in every possible emergency. The sole use of statistics in political economy is, to supply examples and illustrations of general principles. They can never be the basis of principles, which are grounded upon the nature of things ; whereas statistics, in the most improved state, are only an index of their quantity.

The people of Tyre probably consumed more products of external, than of domestic industry, although indeed those external must have been purchased with domestic products. Tyre, it is true, was rather a city than a nation. Holland resembled her in many particulars. The observation applies to every community, the chief part of whose production is, the modification of external products. T.

(*f*) *Douanes.*

(*g*) *Octrois.*

of goods at one time, to be re-sold in the same place and condition at another time, when they are expected to be dearer. Even this trade is productive; its utility consists in the employment of capital, warehouses, care in the preservation, in short, human industry in the withdrawing from circulation a commodity depressed in value by temporary superabundance, and thereby reduced in price below the charges of production, so as to discourage its production, with the design and purpose of restoring it to circulation when it shall become more scarce, and when its price shall be raised above the natural price, the charges of production, so as to throw a loss upon the consumers. The evident operation of this kind of trade is, to transport commodities in respect of time, instead of locality. If it prove an unprofitable or losing concern, it is a sign that it was useless in the particular instance, and that the commodity was not redundant at the time of purchase, and scarce at the time of re-sale. This operation has also been denominated, with much propriety, the trade of reserve. *(h)* Where it is directed to the buying up of the whole of an article, for the sake of exacting an exorbitant monopoly price, it is called *fore-stalling*, which is happily difficult, in proportion

(h) Commerce de reserve. There is no corresponding term in English; it is intelligible enough. Of the productive character of this trade, there are still serious doubts. In former editions, our author himself had expressed an adverse opinion. T.

as the national commerce is extensive, and, consequently, the commodities in circulation both abundant and various.

The carrying trade, as Smith calls it, consists in the purchase of goods in one foreign market for re-sale in another foreign market. This class of industry is beneficial not only to the merchant that practises it, but also to the two nations where-with it is practised; and that for reasons which have been explained while treating of external commerce. The carrying trade is but little suited to nations possessed of small capital, whereof the whole is wanted to give activity to internal industry, which is always intitled to the preference. The Dutch practise it in ordinary times with advantage, because their population and capital are both redundant. (i) The French, in peace time, have carried on a lucrative carrying trade between the different ports of the Levant; because adventurers could procure advances of capital on better terms in France than in the Levant, and were perhaps less exposed to the oppression of the detestable government of that country. They have since been supplanted by other nations,

(i) The carrying trade of Holland is now almost extinct. In fact, whether or no it be suited to a given nation at a given time, depends upon a great variety of circumstances. The advantage of the neutral character gave a very large proportion of it for some years to the American Union, though notoriously deficient in capital for the purposes of internal cultivation. T.

whose possession of the carrying trade is so far from being an injury to the subjects of the Porte, that it actually keeps alive the little remaining industry of its territories. Some governments, less wise in this particular than the Turkish, have interdicted their carrying trade to foreign adventurers. If the native traders can carry on the transport to greater profit than foreigners, there is no occasion to exclude the latter ; and, if it can be conducted cheaper by foreigners, their exclusion is a voluntary sacrifice of the profit of employing them. An example will serve to elucidate this position. The freight of hemp from Riga to Havre costs a Dutch skipper, say *35 fr.* per ton. It must be taken for granted, that no other but the Dutchman can carry it so cheap. He makes a tender to the French government, which is a consumer of Russian hemp, to provide tonnage at *40 fr.* per ton, thereby obviously securing to himself a profit of *5 fr.* per ton. Suppose then, that the French government, with a view to favour the national shipping, prefers to employ French tonnage, which cannot be navigated for less than *50 fr.* per ton, or *55 fr.*, allowing the same profit to the ship-owner — What is the consequence? The government will be out of pocket *15 fr.* per ton, for the mere purpose of giving a profit of *5 fr.* to the national ship-owners. And, as none but the individuals of the nation contribute towards the national expenditure, this operation will have cost to one class of Frenchmen *15 fr.*, for the purpose of giving to another class of Frenchmen a profit of *5 fr.*

only. However the numbers may vary, the result must be similar ; for there is but one fair way of stating the account.

It is hardly necessary to caution the reader, that I have throughout been considering maritime industry solely in its relation to national wealth. Its influence upon national security is another thing. The art of navigation is an expedient of war, as well as of commerce. The working of a vessel is a military manœuvre; and the nation containing the larger proportion of seamen, is, therefore, *ceteris paribus*, the more powerful in a military point of view; consequently, political and military considerations have always interfered with national views of commerce in matters of navigation; and England, in passing her celebrated Navigation Act, interdicting her carrying trade to all vessels, the owners and at least three-fourths of the crews whereof were not British subjects, had in view, not so much the profits of the carrying trade, as the increase of her own military marine, and the diminution of that of the other powers, especially of Holland, which then enjoyed an immense carrying trade, and was the chief object of English jealousy.

Nor can it be denied, that these views may actuate a wise national administration; assuming always, that it is an advantage to one nation to domineer over others. But these political dogmas are fast growing obsolete. Policy will some day or other be held to consist in coveting the pre-eminence of merit rather than of force. The love of domination never attains more than a fac-

titious elevation, that is sure to make enemies of all its neighbours. It is this that engenders national debt, internal abuse, tyranny and revolution; while the sense of mutual interest begets international kindness, extends the sphere of useful intercourse, and leads to a prosperity, permanent, because it is natural.

CHAP. X.

OF THE TRANSFORMATIONS UNDERGONE BY CAPITAL IN
THE PROGRESS OF PRODUCTION.

WE have seen above (Chap. iii.) of what the productive capital of a nation consists, and to what uses it is applicable. So much it was necessary to specify, in enumerating the various means of production. We now come to consider and examine, what becomes of capital in the progress of production, and how it is perpetuated and increased.

To avoid fatiguing the reader with abstract speculation, I shall begin with giving examples, which I shall take from every day's experience and observation. The general principles will follow of themselves, and the reader will immediately see their applicability to all other cases, which he may have occasion to pronounce a judgment upon.

When the land-owner is himself the cultivator, he must possess a capital over and above the value of his land; that is to say, value to some amount or other, consisting, in the first place, of clearance of the ground, together with works and erections thereon, which may at pleasure be looked upon as part of the value of the estate, but which are,

nevertheless, the result of previous human exertion, and an accession to the original value of the land. * (a)

This portion of his capital is little subject to wear and tear; trifling occasional repairs will preserve it entire. If the cultivator obtain from the annual produce wherewithal to effect these repairs, this item of capital is thereby preservable in perpetuity.

Ploughs, and other farming implements and utensils, together with the animals employed in tillage, form another item of the cultivator's capital, and an item of much quicker consumption, which, however, may in like manner be kept up and renovated, as occasion may require, at the expence of the annual produce of the concern, and thus be maintained at its full original amount.

Finally, he must have stores of various kinds; seeds for his ground, provisions, fodder for his, cattle, and food as well as money for his labourers'

* Arthur Young, in his *View of the Agriculture of France*, makes no estimate of this item of capital permanently vested in the land of France within its old limits; but merely reckons it to be less than the capital so vested in England, in the proportion of 36 *livres tournois* per English acre. So that, in the very moderate supposition, that half as much capital is vested in permanent amelioration of the land in France as in England, the capital so vested in Old France, reckoned at 36 *francs* per acre, would amount, upon 131 millions of acres, to 4716 millions of *francs*, for this item of French capital lone.

wages, &c.* Observe, that this branch of capital is totally decomposed once in the course of the year at least; and sometimes three or four times over. The money, grain, and provisions of every description, disappear altogether; but so it must necessarily be; and yet not an atom of the capital is lost, if the cultivator, after subtracting from the produce a fair allowance for the productive service of his land (rent), for the productive service of the capital embarked (interest), and for the productive service of the personal labour that has set the whole in motion (wages), contrive to make the annual produce replace the outlay of money, seed, live stock, &c., even to the article of manure, so as to put himself in possession of a value equal to what he started with the preceding year.

Thus we find, that capital may yet be kept up, though almost every part of it have undergone some change, and many parts be completely annihilated; for, indeed, capital consists not in this or that commodity or substance, but in its value. (b)

* The same writer (Young) estimates, that in France, these two last items of capital, viz. implements, beasts of husbandry, stores of provisions, &c. may be set down at 48 *francs*, per acre, one acre with another; making an aggregate of 6288 millions of *francs*; which, added to the former estimate, shows a total of 11,000 millions of *francs*, capital engaged in the agricultural industry of Old France. He estimates the same items of capital in England at twice as much per acre.

(b) *Vide supra*, Chap. 1. *in notis*.

Nor is it difficult to conceive, that if the estate be sufficiently extensive, and managed with order, economy, and intelligence, the profits of the cultivator may enable him to lay by a surplus, after replacing the entire value of his capital, and defraying the expences of himself and family. The mode of disposing of this surplus is of the utmost importance to the community, and will be treated of in the next chapter. All that is at present necessary is, to impress a clear conviction, that the value of capital, though consumed, is yet not destroyed, wherever it has been consumed in such way as to reproduce itself; and that a concern may go on for ever, and annually render a new product with the same capital, although that capital be in a perpetual course of consumption.

After tracing capital through its various transformations in the department of agriculture, it will be easy to follow its transformations in the other two departments of manufacture and commerce.

In manufacture, as well as agriculture, there are some branches of capital that last for years; buildings and fixtures for instance, machinery and some kinds of tools; others, on the contrary, lose their form entirely; the oil and pot-ash used by soap-makers cease to be oil and pot-ash when they assume the form of soap. In the same manner, the drugs employed in dyeing indigo cease to be Brazil wood or annatto, as the case may be, and are incorporated with the fabric they are employed in colouring. And so of the wages and maintenance of the labourers.

In commerce, almost the whole capital undergoes complete transmutation, and many items of it several times in the course of a year. A merchant exchanges his specie for woollens or jewelry, which is one change of form. He ships them for Turkey, and, on the voyage, some more of his money is converted into the wages of the crew. The cargo arrives at Constantinople, where he sells the investment to the wholesale dealers, who pay him in bills upon Smyrna, which is a second metamorphosis; the capital embarked is now in the shape of bills, which he makes use of in the purchase of cotton at Smyrna; a third transformation. The cotton is shipped for France and sold there, which completes the fourth change of form; thus reproducing the capital, most probably with profit, under its original shape of French coin.

It is obvious, that the objects capable of acting the part of capital are innumerable. If, at any given period, one wished to know what the capital of a nation consisted of, it would be found composed of an infinity of objects, commodities, and substances, of which it would be impossible to guess the aggregate value with any tolerable accuracy, and of which some are situated many thousand leagues from its frontiers. At the same time, it appears that the most insignificant and perishable articles are a part, and often a very important part too, of the national capital; that, although the items of capital are in a continual course of consumption and decomposition, it by no means follows, that the capital itself is destroyed and consumed, pro-

vided that its value be preserved in some other shape; consequently, that the introduction or import of the vilest and most perishable commodities may be just as profitable, as that of the most costly and durable — gold or silver; that, in fact, the former are more profitable the instant they are more sought after; that the producers themselves are the only competent judges of the transformation, export, and import, of these various matters and commodities; and that every government which interferes, every system calculated to influence production, can only do mischief.

There are concerns, in which the capital is completely renovated, and the work of production begun afresh, several times in the year. An operation of manufacture, that can be perfected and the product sold in three months, will admit of the capital being turned to account annually four times. It may be supposed, that the profit each time is less, than when the capital is turned but once in twelve months. Were it otherwise, there would be four times the profit gained; an advantage that would soon attract an overflow of capital in this particular channel, and lower the profit by competition. On the other hand, products that it requires more than a year to perfect, such as leather, must, over and above the original capital, yield the profits of more than one year; otherwise, who would undertake to raise them?

In the trade of Europe with China and the East Indies, the capital embarked is two or three years before its return. Nor is it necessary, in com-

merce, or in manufacture, any more than in agriculture, which has been cited as an example, that the capital should be realized in the form of money, to be entirely replaced. Merchants and manufacturers, for the most part, realize in this way the whole of their capital but once in their lives, and that is when they wind up and leave off business. Yet they are at no loss to discover at any time whether their capital be enlarged or diminished, by referring to the inventory of their assets for the time being.

The capital employed on a productive operation is always a mere advance made for payment of productive services, and reimbursed by the value of their resulting product.

The miner extracts the ore from the bowels of the earth; the iron-founder pays him for it. Here ends the miner's production, which is paid for by an advance out of the capital of the iron-founder. This latter next smelts the ore, refines and makes it into steel, which he sells to the cutler: thus is the production of the founder paid, and his advance reimbursed by a second advance on the part of the cutler, made in the price for the steel. This again the cutler works up into razor-blades, the price for which replaces his advance of capital, and at the same time pays for his productive agency.

It is manifest, then, that the value of the ultimate product, razor-blades, has been sufficient to replace all the capital successively employed in its production, and, at the same time, to pay for the production itself: or rather, that the successive

advances of capital have paid for the productive services, and the price of the product has reimbursed those advances; which is precisely the same thing, as if the aggregate or gross value of the product had gone immediately to defray the charges of its production.

CHAP. XI.

OF THE FORMATION AND MULTIPLICATION OF CAPITAL.

IN the foregoing chapter, I have shown how productive capital, though kept during the progress of production, in a continual state of employment, and subject to perpetual change and wear, is yet ultimately reproduced in full value, when the business of production is at an end. Since, then, wealth consists in the value of matter or substance, not in the substance or matter itself, I trust my readers have clearly comprehended, that the productive capital employed, notwithstanding its frequent transmutations, is all the while the same capital. (*a*)

It will be conceived with equal facility, that, inasmuch as the value produced has replaced the

(*a*) This is a refinement, the fallacy of which will appear from the clear understanding of the difference between wealth and value. (*Vide* Ricardo *On Pol. Econ. and Tax*, chap. 20. *et supra*, Chap. 1.) Wealth consists in the presence of a comparative abundance of objects bearing value, not in the possession of the value itself; which indeed being, according to our author's own admission, a mere immaterial quality, cannot be the object of human appropriation, or abstracted from the matter or substance wherein it is vested. (*Vide* his *Lettres à M. Malthus*, p. 36.) The renovation or perpetuation of capital, therefore, is the continuous presence of fresh objects bearing the same or a similar quality in an equal degree of intensity. T.

value consumed, that produced value may be equal, inferior, or superior in amount, to the value consumed, according to circumstances. If equal, the capital has been merely replaced and kept up; if inferior, the capital has been encroached upon; but if superior, there has been an actual increase and accession of capital. This is precisely the point to which we traced the cultivator, cited by way of an example in the preceding chapter. We supposed him, after the complete re-establishment of his capital, so as to put him in a condition to begin the new year's cultivation with equal means at his disposal, to have netted a surplus produce beyond his consumption of some value or other; say of 1000 crowns.

Now, let us observe the various methods, in which he may dispose of this surplus of 1000 crowns; for, simple as the matter may appear to be, there is no point upon which more error has prevailed, or which has greater influence upon the condition of mankind.

Whatever kind of produce this surplus, which we have valued at 1000 crowns, may consist of, the owner may exchange it for gold or silver specie, and bury it in the earth till he wants it again. Does the national capital suffer a loss of 1000 crowns by this operation? Certainly not; for we have just seen, that the value of that capital was before completely replaced. Has any one been injured to that amount? By no means; for he has neither robbed nor cheated any body, and has received no value whatever, without giving an

equivalent. It may be said perhaps, he has given wheat in exchange for the crowns he has thus buried, which wheat was very soon consumed ; yet the 1000 crowns still continue withdrawn from the capital of the community. But I trust it will be recollected, that wheat, as well as silver or gold, may compose a part of the national capital ; indeed, we have seen that national capital must necessarily consist, in a great measure, of wheat and such like substances, liable to either partial or total consumption without any diminution of capital thereupon ; for, in short, that reproduction completely replaces the value consumed, including the profits of the producers, whose productive agency is part of the value consumed. Wherefore, the instant that the cultivator has fully replaced his capital, and begins again with the same means as before, the 1000 crowns may be thrown into the sea without reducing the national capital.

But let us trace the disposal of this surplus of 1000 crowns to every imaginable destination. — Suppose for instance, that, instead of being buried, they have been spent by the cultivator upon an elegant entertainment. In this case, this whole value has been destroyed in an afternoon ; a sumptuous feast, a ball, and fireworks, will have swallowed up the whole. The value thus destroyed exists no longer in the community ; it no longer forms an item in the aggregate of wealth ; for those persons, into whose hands the identical pieces of silver have come, have given an equivalent in wines, refreshments, eatables, gun-

powder, &c., all which values are reduced to nothing; the gross national capital, however, is no more diminished in this case than in the former. A surplus value had been produced; and this surplus is all that has been destroyed, so that things remain just as they were.

Again, suppose these 1000 crowns to have been spent in the purchase of furniture, plate, or linen. Still there is no reduction of national productive capital; although it must be allowed there is no accession; for in this case, nothing more is gained, than the additional comforts the cultivator and his family derive from the newly purchased moveables. (*b*)

Fourthly and lastly, suppose the cultivator to add this excess of 1000 crowns to his productive capital, that is to say, to re-employ it in increasing the productive powers of his farm as circumstances may require, in the purchase of more beasts of husbandry, or the hire and support of more

(*b*) This is a mistake, for the exposure of which, *vide* Chap. 13. *in notis*. This mode of employing the surplus is an enlargement of the artificial sources of immaterial production, which artificial sources are capital, (*vide suprâ*, Chap. 3. *in notis*); wherefore it is a productive employment of the surplus. A house is set down among the items of capital: why? because it is a product, the secondary source of another product, *viz.* the immaterial enjoyment of habitation, of protection from the inclemencies of the seasons, &c. What else is furniture or plate? The latter indeed ministers to vanity; but so does a house of ordinary comfort; a wigwam would protect from the weather; and this seems to be admitted by our author in a subsequent passage. *Vide infrâ*, Chap. 13. T.

labourers; and in consequence, at the end of the year, to gather produce enough to replace the full value of the 1000 crowns, with a profit, in such manner as to make them capable of yielding a fresh product the year after, and so on every year to eternity. It is then, and then only, that the productive capital of the community is really augmented to that extent.

It must on no account be overlooked, that, in one way or other, a saving such as that we have been speaking of, whether expended productively or unproductively, still is in all cases expended and consumed; and this is a truth, that must remove a notion extremely false, though very much in vogue, — namely, that saving limits and injures consumption. No act of saving subtracts in the least from consumption, provided the thing saved be re-invested or restored to productive employment. On the contrary, it gives rise to a consumption perpetually renovated and recurring; whereas there is no repetition of an unproductive consumption. (c)

(c) On the subject of saving, *Sismondi*, and after him our own *Malthus*, have adopted a different opinion. According to them, the powers of production have already outrun the desire and the ability to consume; consequently, every thing that tends to reduce that desire is injurious, because it is already too inert for the interests of production. Wherefore, inasmuch as the desire of accumulation is the direct opposite to that of consumption, it must of necessity be injurious in the highest degree. On these principles, it might be proved without dif-

It must be observed too, that the form in which the value saved, is so saved and re-em-

ficulty, that the prodigality of public authority, war, or the poor law of England, is a national benefit: for all of them stimulate consumption. Indeed, they leave their readers to draw this inevitable conclusion; for they maintain in plain terms, that the enlargement of the productive powers of man, by the use of machinery or otherwise, makes the existence of unproductive consumers a matter, not of mere possibility or probability, but of actual necessity and expedience. (*Vide Sismondi, Nouv. Prin.* liv. ii. c. 3. and liv. iv. c. 4. Malthus, *Prin. of Pol. Econ.*) These maxims would justify the prodigality of Louis XIV. of France, and of the Pitt system of England. But fortunately they are erroneous; and if the contrary principles laid down by our author here and *infra*, Chap. 15. needed further illustration or support, they have been rendered still more clear and convincing by his recent *Lettres à M. Malthus*. It is true, that the enlargement of productive power naturally leads to the multiplication of unproductive consumers; why? because the desire of barren consumption, instead of being inert, is always active in the human breast. But that multiplication is not necessary; for the consumer may be made a producer, if not of material, at least of immaterial products, which latter are capable of infinitely more multiplication and variety, as well as of more general diffusion, than material products. While this field remains open, a national administration never need despair of finding occupation for the human labour supplanted by machinery. And what is the parsimony of modern days? It is not the hoarding of coin or other valuables, which, though, as our author observes, it subtracts nothing from the national capital, is yet a social mischief, because it suspends the utility of an existing product, or, at any rate, prevents it from yielding the human gratification, which its barren consumption would afford. The accumulations of the miser are now either vested in reproduction, which is beneficial; or

ployed productively, makes no essential difference. The saving is made with more or less advantage, according to the circumstances and intelligence of the person making it. Nor is there any reason, why this portion of capital should not have been accumulated, without ever having for a moment assumed the form of specie. It may be, that an actual product of the farm has been saved and resown or planted, without having undergone any transmutation; perhaps the wood, that might have been used as firing to warm superfluous apartments, may have been converted into palings or other carpenter's work; and what was cut down in the first instance as an item of revenue, be so employed, as to become an item of capital.

Now, the *only* way of augmenting the productive capital of individuals, as well as the aggregate productive capital of the community, is by this process of saving; in other words, of re-employing in production more products created than have been consumed in their creation. Productive capital cannot be accumulated by the mere scraping together of values without consuming them; nor any otherwise, than by withdrawing them from unproductive, and devoting them to reproductive

in the ownership of the sources of production, land, &c., &c., which it matters not to public wealth who may be possessed of; or in the incumbrances of those sources, mortgages, national funds, &c., &c., which are but portions of that ownership, and to which the same observation applies. T.

consumption. (*d*) There is nothing odious in the real picture of the accumulation of capital; we shall presently see its happy consequences.

The form, under which national capital is accumulated, is commonly determined by the respective geographical position, the moral character, and the peculiar wants of each nation. The accumulations of a society in its early stages consist for the most part of buildings, implements of husbandry, live-stock, improvements of land; those of a manufacturing people chiefly of raw materials, or such as are still in the hands of its workmen, in a more or less finished state; and in some part of the necessary manufacturing tools and machinery. In a nation devoted to commerce, capital is mostly accumulated in the form of wrought or unwrought goods, that have been bought by the merchant for the purpose of resale. (*e*)

A nation that directs its energies at the same

(*d*) Our author has here been rather inaccurate in his expression. Productive capital, that is to say, capital capable of being made productive, is commonly accumulated first, and made productive, or put into activity, afterward. Indeed, all material products whatever, as soon as produced, become items of individual and national capital. Why? Because they may be so consumed, as to concur in the bringing into existence of some product not then in existence. *Vide infra*, Chap. 12. *in fine*. T.

(*e*) Commerce being transport, the means and machinery of transport, ships, barges, carts, &c. must always form a principal item in the inventory of commercial wealth. T.

time to all three branches of industry, agriculture, manufacture, and commerce, has a capital compounded of all these different classes of produce, of that surprising quantity of stores of every kind, that we find civilized societies actually possessed of; which, by the intelligent use that is made of them, are constantly renovated or even increased, in spite of their enormous consumption, provided that the industry of the community produce more than is destroyed by its consumption.

I do not mean to say, that each nation has produced and laid by the identical articles that compose its actual capital. Values, in some shape or other, have been produced and laid by; and these, by various transmutations, have assumed the form most convenient for the time being. A bushel of wheat saved will feed a mason as well as a worker in embroidery. In the one case, the bushel of wheat will be reproduced in the shape of the masonry of a house; in the other, under that of a laced suit.

Every adventurer in industry, that has a capital of his own embarked in it, has ready means of employing his savings productively; if engaged in husbandry, he buys fresh parcels of land; or, by judicious outlays and improvements, augments the productive powers of what already belongs to him; if in trade, he buys and sells a greater quantity of merchandize. Capitalists have nearly the same advantage: they invest their whole savings in the same manner as their former capital is invested, and increase it *pro tanto*, or look out

for new ways of investment, which they are at no loss to discover ; for the moment they are known to be possessed of loose funds, they seldom have to wait for propositions for the employment of them ; whereas the proprietors of lands let out to farm, and individuals that live upon fixed income, or the wages of their personal labour, have not equal facility in the advantageous disposal of their savings, and can seldom invest them till they amount to a good round sum. (*f*) Many savings are therefore consumed, that might otherwise have swelled the capitals of individuals, and consequently of the nation at large. Banks and associations, whose object is to receive, collect, and turn to profit the small savings of individuals, are consequently very favourable to the multiplication of capital, whenever they are perfectly secure.

The increase of capital is naturally slow of progress : for it can never take place without actual production of value, and the creation of value is the work of time and labour, besides other ingredients.* Since the producers are compelled to

* The savings of a rich contractor, of a swindler or cheat, of a royal favourite, saturated with grants, pensions, and unmerited emolu-

(*f*) What is this but to say, that those occupied in the employment of capital know best how to employ it ? In very rich communities, the disposal of surplus capital is made a separate branch of commerce. It would probably be as easy to find employment for a small, as for a large capital, were it not for taxation, and the vexation of legal forms and delays. Where these prevail, national saving-banks may be necessary, for the same reason that one medicine is used to expel another. T.

consume values all the while they are engaged in the creation of fresh ones, the utmost they can accumulate, that is to say, add to reproductive capital, is the value they produce beyond what they consume; and the sum of this surplus is all the additional wealth that the public or individuals can acquire. The more values are saved and reproductively employed in the year, the more rapid is the national progress towards prosperity. Its capital is swelled, a larger quantity of industry is set in motion, and saving becomes more and more practicable, because the additional capital and industry are additional means of production.

Every saving or increase of capital lays the ground-work of a perpetual annual profit, not only to the saver himself, but likewise to all those whose industry is set in motion by this item of new capital. It is for this reason, that the celebrated Adam Smith likens the frugal man, who enlarges his productive capital but in a solitary instance, to the founder of an almshouse for the perpetual support of a body of labouring persons upon the fruits of their own labour; and on the other hand, compares the prodigal that incroaches upon his capital, to the roguish steward that should squander the funds of a charitable institution, and leave

emoluments, are actual accumulations of capital, and are sometimes made with facility enough. But the values thus amassed by a privileged few, are, in reality, the product of the labour, capital, and land, of numbers, who might themselves have made the saving, and turned it to their own account, but for the spoliation of injustice, fraud, or violence.

destitute, not merely those that derived present subsistence from it, but likewise all who might derive it hereafter. He pronounces without reserve every prodigal to be a public pest, and every careful and frugal person to be a benefactor of society.*

It is fortunate, that self-interest is always on the watch to preserve the capital of individuals; and that capital can at no time be withdrawn from productive employment, without a proportionate loss of revenue.

Smith is of opinion, that, in every country, the profusion and ignorance of individuals and of the public authorities is more than compensated by the prevalent frugality of the people at large, and by their careful attention to their own interests †. At least it seems undeniable, that almost all the

* *Wealth of Nations*, b. ii. c. 3. Lord Lauderdale, in a work entitled, "*Enquiry into the Nature and Origin of Public Wealth*," has proved to his own conviction, in opposition to Smith, that the accumulation of capital is adverse to the increase of wealth; grounding his argument on the position, that such accumulation withdraws from circulation values which would be serviceable to industry. But this position is untenable. Neither productive capital, nor the additions made to it, are withdrawn from circulation; otherwise they would remain inactive, and yield no profit whatever. On the contrary, the adventurer in industry, who makes use of it, employs, disposes of, and wholly consumes it, but in a way that reproduces it, and that with profit. I have noted this error of his lordship, because it has been made the basis of other works on political economy, which abound in false conclusions, having set out on this false principle.

† *Wealth of Nations*, *ibid.*

nations of Europe are at this moment advancing in opulence; which could not be the case, unless each of them, taken in the aggregate, produced more than it consumed unproductively.* Even the revolutions of modern times appear to have been rather favourable than otherwise to the progress of opulence; for they are no longer, as in ancient days, followed by continued hostile invasion, or universal and protracted pillage; whereas, on the other hand, they have commonly overthrown

* Except during the continuance of ruinous wars, or excessive public extravagance, such as occurred in France under the domination of Napoleon. It cannot be doubted, that, at that disastrous period of her history, even in the moments of her most brilliant military successes, the amount of capital dilapidated exceeded the aggregate of savings. Requisitions and the havoc of war, in addition to the compulsory expenditure of individuals, and the pressure of exorbitant taxation, must unquestionably have destroyed more values, than the exertions of individual economy could devote to reproductive investment. The sovereign, wholly ignorant of Political Economy himself, and consequently affecting to despise its suggestions, encouraged his courtiers, like himself, to squander the enormous revenues derived from his favour, in the apprehension that wealth might make them independent. (a)

(a) Whatever might be her momentary losses, France is rapidly recovering; while her rival continues so exhausted, that there are serious doubts, whether she will have strength to carry her through. During the war, her savings certainly exceeded her expenditure, and her productive means were progressively expending. With a reduced expenditure, and the same productive means, it is now very doubtful, whether her production be not actually on the decline. According to our author's principles, this must be the fault of her rulers. T.

the barriers of prejudice, and opened a wider field for talent and enterprise. But it is still a question, whether this frugality, which Smith gives individuals credit for, be not, in the most numerous classes of society, a forced consequence of a vicious political organization. Is it true, that those classes receive their fair proportion of the gross produce, in return for their productive exertions? How many individuals live in constant penury, in the countries considered as the most wealthy! How many families are there, both in town and country, whose whole existence is a succession of privations; who, with every thing around them to awaken their desires, are reduced to the satisfaction of the very lowest wants, as if they lived in an age of the grossest barbarism and national poverty!

Thus I am forced to infer, that, though unquestionably there is an annual saving of produce in almost all the nations of Europe, this saving is extorted much more commonly from urgent and natural wants, than from the consumption of superfluities, to which policy and humanity would hope to trace it. Whence arises a strong suspicion of some radical defect in the policy and internal economical systems of most of their governments.

Again, Smith thinks that the moderns are indebted for their comparative opulence, rather to the prevalence of individual frugality, than to the enlargement of productive power. I admit, that some absurd kinds of profusion are more rare now-

a-days than formerly* ; but it should be recollected, that such profusion can never be practised, except by a very small number of persons ; and if we take the pains to consider, how widely the enjoyment of a more abundant and varied consumption is diffused, particularly among the middle classes of society, I think it will be found, that consumption and frugality have increased both together ; for they are by no means incompatible. How many concerns are there in every branch of industry,

* It is not, however, to be supposed, that the internal economy of ancient and of modern states is so widely different as some may be led to imagine. There is a striking similarity between the rise and fall of the opulent cities of Tyre, Carthage, and Alexandria, and those of the Venetian, Florentine, Genoese, and Dutch republics. The same cause must ever be attended with the same effect. We read of the wonderful riches of Cræsus, king of Lydia, even before his conquest of some neighbouring states : whence we may infer, that the Lydians were an industrious and frugal people ; for a king can draw his resources solely from his subjects. The dry study of Political Economy would lead to this inference ; but it happens to be also confirmed by the historical testimony of Justin, who calls the Lydians a people once powerful in the resources of industry ; (*gens industriâ quondam potens* ;) and gives us a notion of their enterprising character, when he tells us, that Cyrus did not complete their subjugation, until he had habituated them to indolence, gaming, and debauchery. (*Jussique cauponias et ludicras artes et lenocinia exercere.*) It is clear, therefore, that they must have before been possessed of the opposite qualities. Had Cræsus not taken a turn for pomp and military renown, he would probably have remained a powerful monarch, instead of ending his days in misfortune. The art of connecting cause with effect, and the study of Political Economy, are probably as conducive to the personal welfare of kings, as to that of their subjects.

that, in times of prosperity, yield enough produce to the adventurers to enable them to enlarge both their expenses and their savings? What is true of one particular concern, may possibly be true of the national production in the aggregate. The wealth of France was progressively increasing during the first forty years of the reign of Louis XIV., in spite of the profusion, public and private, that the splendour of the court occasioned. The stimulus given to production by Colbert multiplied her resources faster than the court squandered them. Some people supposed, that this very prodigality was the cause of their multiplication; the gross fallacy of which notion is demonstrated by the circumstance, that, after the death of that minister, the extravagancies of the court continuing at the same rate, and the progress of production being unable to keep pace with them, the kingdom was reduced to an alarming state of exhaustion. The close of that reign was the most gloomy that can be imagined.

After the death of Louis XIV., the public and private expenditure of France have been still further increasing*; and to me it appears indisputable,

* This increase of expenditure has been not altogether nominal, and consequential upon the reduction in the standard of the silver coinage of France; a greater quantity and variety of products was consumed, and those of a better and more expensive quality. And though refined silver is now intrinsically worth nearly as much as in the days of Louis XIV., since the same weight of silver is given for the same quantity of wheat; yet the same ranks of society now actually expend more silver in weight as well as in denomination.

that her national wealth has advanced likewise: Smith himself admits that it did; and what is true of France is so of most of the other states of Europe in some degree or other.

Turgot * falls in with Smith's opinion. He expresses his belief, that frugality is more generally prevalent now than in former times, and gives the following reasons: that, in most European countries, the interest of money was, on the average, lower than it had ever before been, a clear proof of the greater abundance of capital; therefore, that greater frugality must have been exerted in the accumulation of that capital, than at any former period: and, certainly, the low rate of interest proves the existence of more abundant capital; but it proves nothing with regard to the manner of its acquirement: in fact, it may have been acquired just as well by enlarged production as by greater frugality, as I have just been demonstrating.

However, I am far from denying, that, in many particulars, the moderns have improved the art of saving as well as that of producing. A man is not easily satisfied with less gratifications than he has been accustomed to; but there are many which he has learnt to procure at a cheaper rate. For instance, what can be more beautiful than the coloured furniture papers that adorn the walls of our apartments, combining the graces of design with the freshness of colouring? Formerly, many of

* *Reflex. sur la Form. et la Distrib. des Rich.* § 81.

those classes of society that now make use of paper-hangings, were content with whitewashed walls, or a coarse ill-executed tapestry, infinitely dearer than the modern paperings. By the recent discovery of the efficacy of sulphuric acid in destroying the mucilaginous particles of vegetable oils, they have been rendered serviceable in lamps on the Argand principle of a double current of air, which before could only be lighted with fish oil, twice or thrice as dear. This discovery has of itself placed the use of those lamps, and the fine light they give, within reach of almost every class. *

For this improvement in frugality, we are indebted to the advances of industry, which has, on the one hand, discovered a great number of economical processes ; and, on the other, every where solicited the loan of capital, and tempted the holders of it, great or small, by better terms and greater security. In times when little industry existed, capital, being unprofitable, was seldom in any other shape than that of a hoard of specie locked up in a strong box, or buried in the earth as a reserve against emergency : however considerable in amount, it yielded no sort of benefit whatever, being in fact little else than a mere pre-

* It is to be feared, that taxation will ultimately deprive the consumer of the advantage of such improvements. The increase of the internal taxes (*droits reunis*), of the stamps on patents, of the taxes and impediments affecting the internal transport of commodities, have already brought the price of these vegetable oils almost to a par with the article they had so beneficially supplanted.

cautionary deposit, great or small. But the moment that this hoard was found capable of yielding a profit proportionate to its magnitude, its possessor had a double motive for increasing it, and that not of remote or precautionary, but of actual, immediate benefit; since the profit yielded by the capital might, without the least diminution of it, be consumed and procure additional gratifications. Thenceforward it became an object of greater and more general solicitude than before, in those that had none to create, and in those that had one to augment, productive capital; and a capital bearing interest began to be regarded as a property equally lucrative, and sometimes equally substantial with land yielding rent. To such as regard the accumulation of capital as an evil, inasmuch as it tends to aggravate the inequality of human fortune, I would suggest, that, if accumulation has a constant tendency to the multiplying of large fortunes, the course of nature has an equal tendency to divide them again. A man, whose life has been spent in augmenting his own capital and that of his country, must die at last, and the succession rarely devolves upon a sole heir or legatee, except where the national laws sanction entails and the right of primogeniture. (g) In countries exempt from the baneful influence of such institutions, where nature is left to its own free and beneficent

(g) The influence of these institutions is still a point in dispute amongst political reasoners. T.

action, wealth is naturally diffused by subdivision through all the ramifications of the social tree, carrying health and life to the furthest extremities. * The total capital of the nation is enlarged, at the same time that the capital of individuals is subdivided.

Thus the growing wealth of an individual, when honestly acquired and reproductively employed, far from being viewed with jealous eyes, ought to be hailed as a source of general prosperity. I say honestly acquired, because a fortune amassed by rapine or extortion is no addition to the national stock ; it is rather a portion of capital transferred from the hands of one man, where it already existed, to those of another, who has exerted no

* It is to be regretted, that people should be so little attentive to merit in their testamentary dispositions. There is always a degree of discredit thrown upon the memory of a testator, by his bounty to an unworthy object ; and, on the contrary, nothing endears him more to the survivors than a bequest dictated by public spirit, or the love of private virtue. The foundation of a hospital, of an establishment for the education of the poor, of a perpetual premium for good actions, or a bequest to a writer of eminent merit, extends the influence of the wealthy beyond the limits of mortality, and enrols his name in the records of honour (*h*)

(*h*) This laudable ambition is always proportionate to the wealth, the civil liberty, and the intelligence of a nation. In England, scarcely a year passes over our heads without more than one instance of useful and extensive munificence. The bequests to the elder Pitt, to Wilberforce, and other public men, the frequent foundations and enlargements of institutions of relief or education, reflect equal honour on the character of the nation, and the memory of the individuals. T.

productive industry. On the contrary, it is but too common, that wealth ill-gotten is ill-spent also.

The faculty of amassing capital, or, in another word, value, I apprehend to be one cause of the vast superiority of man over the brute creation. Capital, taken in the aggregate, is a powerful engine consigned to the use of man alone. He can direct towards any one channel of employment the successive accumulations of many generations. Other animals can command, at most, no more than their respective individual accumulations, scraped together in the course of a few days, or a season at the utmost, which can never amount to any thing considerable: so that, granting them a degree of intelligence they do not seem possessed of, that intelligence would yet remain ineffectual, for want of the materials to set it in motion.⁽ⁱ⁾

Moreover, it may be remarked, that the powers of man, resulting from the faculty of amassing capital, are absolutely indefinable; because there is no assignable limit to the capital he may accumulate, with the aid of time, industry, and frugality.

(i) It has been supposed by many, that the want of the faculty of communicating their ideas is the great, perhaps the only cause of the inferiority of the brute creation to mankind. It seems, whether the sole cause or no, to be quite adequate to the effect. But this is an incidental point, beyond the range of political science. T.

CHAP. XII.

OF UNPRODUCTIVE CAPITAL.

WE have seen above, that values once produced may be devoted, either to the satisfaction of the wants of those who have acquired them, or to a further act of production. They may also be withdrawn both from unproductive consumption and from reproductive employment, and remain buried or concealed.

The owner of values, in so disposing of them, not only deprives himself of the self-gratification he might have derived from their consumption, but also of the advantage he might draw from the productive agency of the value hoarded. He furthermore withholds from industry the profits it might make by the employment of that value.

Amongst abundance of other causes of the misery and weakness of the countries subjected to the Ottoman dominion, it cannot be doubted, that one of the principal is, the vast quantity of capital remaining in a state of inactivity. The general distrust and uncertainty of the future induce people of every rank, from the peasant to the pacha, to withdraw a part of their property from the greedy eyes of power: and value can never be invisible, without being inactive. This misfortune is common to all countries, where the government

is arbitrary, though in different degrees proportionate to the severity of despotism. For the same reason, during the violence of political convulsions, there is always a sensible contraction of capital, a stagnation of industry, a disappearance of profit, and a general depression while the alarm continues : and, on the contrary, an instantaneous energy and activity highly favourable to public prosperity, upon the re-establishment of confidence. The saints and madonnas of superstitious nations, the splendid pageantry and richly decorated idols of Asiatic worship, give life to no agricultural or manufacturing enterprise. The riches of the fane and the time lost in adoration would really purchase the blessings, that barren prayers can never extort from the object of idolatry. There is a great deal of inert capital in countries, where the national habits lead to the extended use of the precious metals in furniture, clothes, and decorations. The silly admiration bestowed by the lower orders on the display of such idle and unproductive finery is hostile to their own interests. For the opulent individual, who vests 100,000 *fr.* in gilding, plate, and the splendour of his establishment, has it not to lay out at interest, and withdraws it from the support of industry of any kind. The nation loses the annual revenue of so much capital, and the annual profit of the industry it might have kept in activity.

Hitherto we have been considering that kind of value only, which is capable, after its creation, of being, as it were, incorporated with matter, and

preserved for a longer or shorter period. But all the values producible by human industry, have not this quality. Some there are, which must have reality, because they are in high estimation, and purchased by the exchange of costly and durable products, which nevertheless have themselves no durability, but perish the moment of their production. This class of values I shall define in the ensuing chapter, and denominate *immaterial products*.*(a)

* It was my first intention to call these *perishable* products, but this term would be equally applicable to products of a material kind. *Intransferable* would be equally incorrect, for this class of products does pass from the producer to the consumer. The word *transient*, does not exclude all idea of duration whatever, neither does the word *momentary*.

(a) Before dismissing the subject of capital, it is right to observe, that our author has been led by the example of other writers to refine a little too much upon the distinction between capital and revenue, and to adopt an arrangement less clear and simple, than the subject would admit of. All products whatever, whether of unassisted nature or of nature aided by human industry, which are available in any way for the purposes of further production, are in fact capital: Why? because they may be, not because they are, so employed. Previously to such employment, they are dead or inactive, during such employment, they are active capital. This is the natural and simple arrangement. Wherefore, the returns of capital, when actually in hand, are themselves capital. If those returns be larger than the outlay, capital is on the increase, and *vice versâ*. *Sismondi* has been led into the like abstractions, even while professedly reprobating abstraction. This latter writer, however, has strayed still wider from the line of truth and simplicity, when he refers wealth to three

sources, viz. 1. land; 2. labour; 3. human life or existence, *Nouv. Princ.* liv.ii. c. 4. The proper classification of those sources appears to be, 1. nature, the primary source; 2. industry, the secondary source. And products may, in the same way, be classed into, 1. primary products, or those of unassisted nature; 2. secondary products, those of nature, modified by human industry. Both these classes of products may be employed to further new production, that is to say, as active capital. Wherefore, both are capital. T.

CHAP. XIII.

OF IMMATERIAL PRODUCTS, OR VALUES CONSUMED AT THE
MOMENT OF PRODUCTION.

A PHYSICIAN goes to visit a sick person, observes the symptoms of disease, prescribes a remedy, and takes his leave without depositing any product, that the invalid or his family can transfer to a third person, or even keep for the consumption of a future day.

Has the industry of the physician been unproductive? Who can for a moment suppose so? The patient's life has been saved perhaps. Was this product incapable of becoming an object of barter? By no means; the physician's advice has been exchanged for his fee; but the want of this advice ceased the moment it was given. The act of giving was its production, of hearing its consumption; and the consumption and production were simultaneous. (a)

(a) This first example is not very happily chosen. The physician is to the human frame, what a cobbler is to a pair of shoes, not the original maker, but the repairer; he furbishes it up as well as he can, often insufficiently enough it is true; and, though

This is what I call an immaterial product.

The industry of a musician or an actor yields a product of the same kind : it gives one an amusement, a pleasure one cannot possibly retain or preserve for future consumption, or as the object of barter for other enjoyments. This pleasure has its price it is true : but it has no further existence, except perhaps in the memory, and no exchangeable value, after the instant of its production.

Smith will not allow the name of products to the results of these branches of industry. Labour so bestowed he calls unproductive ; an error he was led into by his definition of wealth, which he defines to consist of things bearing a value capable of being preserved, instead of extending the name to all things bearing exchangeable value : consequently, excluding products consumed as soon as created. The industry of the physician, however, as well as that of the public functionary, the advocate or the judge, which are all of them of the same class, satisfies wants of so essential a nature, that without those professions no society could

though he be himself the mere director and superintendant, yet is he one of the executive agents of the medicinal art, employed in what our author has called the application of science or theory. Whether or no his product be material or immaterial, must be determined by the nature of that which he operates upon, *viz.* the human frame, which is a natural and material product, though the noblest our faculties are acquainted with. The architect gives mere advice and direction like the physician. T.

exist. Are not, then, the fruits of their labour real? They are so far so, as to be purchased at the price of other and material products, which Smith allows to be wealth; and by the repetition of this kind of barter, the producers of immaterial products acquire fortunes.*

To descend to items of pure amusement, it cannot be denied, that the representation of a good comedy gives as solid a pleasure, as a box of comfits or a discharge of fireworks, which are products, even within Smith's definition. Nor can I discover any sound reason, why the talent of the painter should be deemed productive, and not the talent of the musician.†

Smith himself has exposed the error of the economists in confining the term, wealth, to the mere value of the raw material contained in each product; he advanced a great step in political economy, by demonstrating wealth to consist of the raw material, *plus*, the value added to it by industry; but, having gone so far as to promote to the rank of wealth an abstract commodity, *value*, why reckon it as nothing, however real and exchangeable, when not incorporated in matter? This is the more surprising, because he

* Wherefore *de Verri* is wrong in asserting, that the occupations of the sovereign, the magistrate, the soldier, and the priest, do not fall within the cognizance of Political Economy. (*Meditazioni sulla Economia Politica*, § 24.)

† This error has already been pointed out by *M. Germain Garnier*, in the notes to his French translation of Smith.

went so far as to treat of labour, abstracted from the matter wherein it is employed ; to examine the causes which operate upon and influence its value ; and even to propose that value as the safest and least variable measure of all other values.*

The nature of immaterial products makes it impossible ever to accumulate them, so as to render them a part of the national capital. A people containing a host of musicians, priests, and public functionaries, might be abundantly amused, well versed in religious doctrines, and admirably governed ; but that is all. Its capital would receive no direct accession from the total labour of all these individuals, though industrious enough in their respective vocations, because their products would be consumed as fast as produced.

Consequently, nothing is gained on the score of public prosperity, by ingeniously creating an unnatural demand for the labour of any of these professions : the labour diverted into that channel of production cannot be increased, without in-

* Some writers, who have probably taken but a cursory view of the positions here laid down, still persist in setting down the producers of immaterial products amongst the unproductive labourers. But it is vain to struggle against the nature of things. Those at all conversant with the science of political economy, are compelled to yield involuntary homage to its principles. Thus *Sismondi*, after having spoken of the values expended in the wages of unproductive labourers, goes on to say, "*Ce sont des consommations rapides qui suivent immédiatement la production.*" *Nouv. Princ.* tom. ii. p. 203., admitting a production by those he had pronounced to be unproductive!

creasing the consumption also. If this consumption yield a gratification, then indeed we may console ourselves for the sacrifice; but when that consumption is itself an evil, it must be confessed the system which causes it is deplorable enough.

This occurs in practice, whenever legislation is too complicated. The study of the law, becoming more intricate and tedious, occupies more persons, whose labour must likewise be better paid. What does society gain by this? are the respective rights of its members better protected? Undoubtedly not: the intricacy of law, on the contrary, holds out a great encouragement to fraud, by multiplying the chances of evasion, and very rarely adds to the solidity of title or of right. The only advantage is, the greater frequency and duration of suits. The same reasoning applies to superfluous offices in the public administration. To create an office for the administration of what ought to be left to itself, is, to do an injury to the subject in the first instance, and make him pay for it afterwards as if it were a benefit.*

Wherefore it is impossible to admit the inference of † M. Garnier, that, because the labour of physicians, lawyers, and the like is productive,

* What, then, are we to think of those who assert in substance, if not in words, that such a formality or such a tax is productive of one benefit at least, namely, the maintenance of such or such an establishment of clerks and officers.

† *Traduction de Smith, note 20.*

therefore a nation gains as much by the multiplication of that class of labour as of any other. This would be the same as bestowing upon a material product more manual labour than is necessary for its completion. The labour productive of immaterial products, like every other labour, is productive so far only as it augments the utility, and thereby the value of a product: beyond this point it is a purely unproductive exertion. To render the laws intricate purposely to give lawyers full business in expounding them, would be equally absurd, as to spread a disease that doctors may find practice. (b)

(b) Had our author set out with a correct notion of the foundation and ingredients of value, *viz.* utility and difficulty of attainment, he would have placed this argument on a much sounder basis. The infirmities of human nature, its propensity to vice, and liability to error, are natural obstructions to the progress of society, affecting the security of person and of property. In as far as legal institutions are calculated to overcome these obstructions, the human agency requisite for their efficiency and maintenance is a natural charge upon the national production—a charge incurred in surmounting a *natural* difficulty of attainment; in as far as those institutions are unnecessary or injurious; in as far as they needlessly perplex, or promote vice or error, they create themselves an *artificial* obstruction; the agency employed in surmounting which, is so much dead loss to society; indeed, the loss is twofold, as our author has justly observed. 1. Of the agency exerted in creating this artificial difficulty. 2. Of the agency exerted in surmounting it. The reasoning is perfectly correct, with one fundamental exception: legal institutions, the agency of public functionaries, add no utility, but merely overcome difficulty of attainment. T.

Immaterial products are the fruit of human industry, in which term we have comprised every kind of productive labour. It is not so easy to understand how they can at the same time be the fruit of capital. Yet these products are for the most part the result of some talent or other, which always implies previous study; and no study can take place without advances of capital.

Before the advice of the physician can be given or taken, the physician or his relations must first have defrayed the charges of an education of many years' duration; he must have subsisted while a student; professors must have been paid; books purchased; journeys perhaps have been performed; all which implies the disbursement of a capital previously accumulated.* So likewise the lawyer's opinion, the musician's song, &c. are products, that can never be raised without the concurrence of industry and capital. Even the ability of the public functionary is an accumulated capital. It requires the same kind of outlay, for the education of a civil or military engineer, as for that of a physician. Indeed, we may take it for granted, that the funds expended in the training

* I will not here anticipate the investigation of the profits of industry and capital, but confine myself to observe, *en passant*, that capital is thrown away upon the physician, and his fees improperly limited, unless, besides the recompense of his actual labour and talent, (which latter is a natural agent gratuitously given to him,) they defray the interest of the capital expended in his education, and not the common rate of interest, but calculated at the rate of an annuity.

of a young man for the public service, are found by experience to be a fair investment of capital, and that labour of this description is well paid; for we find more applicants than offices in almost every branch of administration, even in countries, where offices are unnecessarily multiplied. (c)

The industry productive of immaterial products will be found to go through exactly the same process, as, in the analysis made in the beginning of this work, we have shewn to be followed by industry in general. This may be illustrated by an example. Before an ordinary song can be executed, the arts of the composer and the practical musician, must have been regular and distinct call-

(c) Our author seems here to consider the skill and talent of these different classes as an item of national capital; and, indeed, they are material products in one sense, being incorporated in man, whose body at least is a material product of nature. Smith has considered them in the same light, and estimates this item of capital as equal to all the rest. With great deference to such authority, the translator would submit, that it would be more appropriate to consider them as a portion of industry, the secondary source of production, than as actual products themselves. Science is mental or intellectual, labour is corporeal or material industry; either may be stimulated, checked, directed, or subdivided; both may be considered as products of nature, the grand and primary source. But if any other and secondary source be admitted, it must be human industry in the enlarged sense, comprising intellectual as well as corporeal. Looking to these as the sources of production, all actual, existing products, capable of human consumption, may be treated as capital, inert if not employed in further production; active, if so employed. T.

ings ; and the best mode of acquiring skill in them must have been discovered : this is the department of the man of science, or theorist. The application of this mode and of this art, have been left to the composer and singer, who have calculated, the one in composing his tune, the other in the execution of it, that it would afford a pleasure, to which the audience would attach some value or other. Finally, the execution is the concluding operation of industry.

There are, however, some immaterial products, with respect to which the two first operations are so extremely trifling, that one may almost account them as nothing. Of this description is the service of a menial domestic. The art of service is little or nothing, and the application of that art is made by the employer ; so that nothing is left to the servant, but the executive business of service, which is the last and lowest of industrious operations.

It necessarily follows, that, in this class of industry, and some few others practised by the lowest ranks of society, that of the porter for instance, or of the prostitute (*d*), &c. &c.; the charge of training being little or nothing, the products may be looked upon not only as the fruits of very coarse and primitive industry, but likewise as products, to the creation of which capital has contributed nothing ; for I cannot think the ex-

(*d*) This is a licensed occupation in France and many other parts of Europe. T.

pence of these agents' subsistence from infancy, till the age of emancipation from parental care; can be considered as a capital, the interest of which is paid by the subsequent profits. I shall give my reasons for this opinion when I come to speak of wages. *

The pleasures one enjoys at the price of any kind of personal exertion, are immaterial products, consumed at the instant of production by the very person that has created them. Of this description are the pleasures derived from arts studied solely for self-amusement. In learning music, a man devotes to that study some small capital, some time and personal labour; all which together are the price paid for the pleasure of singing a new air or taking part in a concert.

Gaming, dancing, and field-sports, are labours of the same kind. The amusement derived from them is instantly consumed by the persons who have performed them. When a man executes a painting, or makes any article of smith's or joiner's work for his amusement, he at the same time creates a durable product or value, and an immaterial product, viz. his personal amusement. †

* The wages of the mere labourer are limited to the bare necessities of life, without which his agency cannot be continued and renewed; there is no surplus for the interest on capital. But the subsistence of his children, until old enough to earn their own livelihood, is comprised in the necessities of the labourer.

† An indolent and inert people is always little addicted to amusements resulting from the exercise of personal faculties. Labour is attended with so much pain to them, as very few pleasures

In speaking of capital, we have seen, that part of it is devoted to the production of material products, and part remains wholly unproductive. There is also a further part productive of utility or pleasure, which can, therefore, be reckoned as a portion neither of the capital engaged in the production of material objects, nor of that absolutely inactive. Under this head may be comprised dwelling-houses, furniture, and decorations, that are an addition to the mere pleasures of life. The utility they afford is an immaterial product.

When a young couple sets up house-keeping for the first time, the plate they provide themselves with cannot be considered as absolutely inactive capital, for it is in constant domestic use ; nor can it be reckoned as capital engaged in the raising of material products ; for it leads to the production of no one object capable of being reserved for future consumption ; neither is it an object of annual consumption, for it may last, perhaps, for their joint lives, and be handed down to their children ; but it is capital productive of utility and pleasure. Indeed, it is so much value accumulated, or in other words, withdrawn from reproductive consumption ; consequently, yielding

pleasures are intense enough to repay. The Turks think us mad to find pleasure in the violent motions of the dance ; without reflecting, that it causes to us infinitely less fatigue than to themselves. They prefer pleasures prepared by the fatigue of others. There is, perhaps, as much industry expended on pleasure in Turkey as with us ; but it is exerted in general by slaves, who do not participate in the product.

neither profit nor interest, but productive of some degree of benefit or utility, which is gradually consumed and incapable of being realized, yet is possessed of real and positive value, since it is occasionally the object of purchase: as in the instance of the rent of a house or the hire of furniture, and the like.

Although it be a sad mistake of personal interest to vest the smallest particle of capital in a manner wholly unproductive, it is by no means so to lay out, in a way productive of utility or amusement, so much as may be not disproportionate to the circumstances of the individual. There is a regular gradation of the ratio of capital so vested by individuals respectively, from the rude furniture of the poor man's hovel, up to the costly ornaments and dazzling jewels of the wealthy. When a nation is rich, the poorest family in it possesses a capital of this kind, not indeed of any great amount, but still enough to satisfy moderate and limited desires. The prevalence of general wealth in a community is more strongly indicated by meeting universally with some useful and agreeable household conveniences in the dwellings of the inferior ranks, than by the splendid palaces and costly magnificence of a few favorites of fortune, or by the casual display of diamonds and finery, we sometimes see brought together in a large city, where the whole wealth of the place is often exhibited at one view, at a fête or a theatre of public resort; but which, after all, are

a mere trifle, compared with the aggregate value of the household articles of a great people.

The component items of a capital, producing bare utility or amusement, are liable to wear and tear, though in a very slight degree; and if that wear and tear be not made good out of the savings of annual revenue, there is a gradual dissipation and reduction of capital.

This remark may appear trifling; yet how many people think they are living upon their revenue, when they are at the same time partially consuming their capital! Suppose, for instance, a man is proprietor of the house he lives in; if the house be calculated to last 100 years, and have cost 100,000*fr.* in the building, it costs the proprietor or his heirs 1000*fr.* per annum, exclusive of the interest upon the original cost, otherwise the whole capital will be extinguished, or nearly so, by the end of 100 years. The same reasoning is applicable to every other item of capital devoted to the production of utility or pleasure; to a side-board, a jewel, every imaginable object, in short, that comes under the same denomination.

And *vice versâ*, when annual revenue, arising from whatever source, is encroached upon for the purpose of enlarging the capital devoted to the production of useful or agreeable objects, there is an actual increase of capital and of fortune, though none of revenue.

Capital of this class, like all other capital without exception, is formed by the partial accumulation of annual products. There is no

other way of acquiring capital, but by personal accumulation, or by succession to the accumulations of others. Wherefore, the reader is referred on this head to Chap. 11., where I have treated of the accumulation of capital.

A public edifice, a bridge, a highway, are savings or accumulations of revenue, devoted to the formation of a capital, whose returns are an immaterial product consumed by the public at large. If the construction of the bridge or highway, added to the purchase of the ground it stands upon, have cost a million of *francs*, the use the public makes of it may be estimated to cost 50,000 *fr.* per annum. *

There are some immaterial products, towards which the land is a principal contributor. Such is the pleasure derived from a park or pleasure-garden. The pleasure is afforded by the continual and

* If it entail a farther charge of 1000 *fr.* for annual repairs and maintenance, the public consumption of pleasure or utility may be set down at 51,000 *fr.* per annum. This is the only way of taking the account, with a view to compare the advantage derived by the payers of public taxes, with the sacrifices imposed on them for the acquisition of such conveniences. In the case put above, the public will be a gainer, if the outlay of 51,000 *fr.* have effected an annual saving in the charge of national production, or, what is the same thing, an annual increase of the national product (*a*), of still larger amount. In the contrary supposition, the national administration will have led the nation into a losing concern.

(*a*) *i. e.* Whether material or immaterial. T.

daily agency of the natural object, and is consumed as fast as produced. A ground yielding pleasure must, therefore, not be confounded with ground lying waste or in fallow. Wherein again appears the analogy of land to capital, of which, as we have seen, some part is productive of immaterial products, and some part is altogether inactive. (e)

Gardens and pleasure-grounds have generally cost some expense in embellishment; in which case, capital and land unite their agency to yield an immaterial product.

Some pleasure-grounds yield likewise timber and pasturage: these are productive of both classes of products. The old-fashioned gardens in France yielded no material product; those of modern times are somewhat improved in this particular, and would be more so, if culinary herbs and fruit-trees were oftener introduced. Doubtless it would be harsh to find fault with a proprietor in easy circumstances, for appropriating part of his freehold to the mere purpose of amusement. The delightful moments he there passes with his family around him, the wholesome exercise he takes, the spirits he inhales, are among the most valuable and substantial blessings of life. By all means, then, let him lay out his ground as he likes, and give full scope to his taste, or even caprice; but if caprice can be directed to an useful end, if he

(e) Our author here admits a distinction he had lost sight of in Chap. 11., *supra*. T.

can derive profit without abridging enjoyment, his garden will have additional merit, and present a two-fold source of delight to the eye of the statesman and the philosopher.

I have seen some few gardens possessed of this double faculty of production; whence, although the lime, horse-chesnut, and sycamore trees, and others of the ornamental kind, were by no means excluded, any more than the lawns and the parterres; yet at the same time the fruit-trees, decked in the bloom of vernal promise, or weighed down by the maturity of autumnal wealth, added a variety and richness of colouring to the other local beauties. The advantages of distance and position were attended to without violating the convenience of division and inclosure. The beds and borders, planted with vegetables, were not provokingly straight, regular, or uniform, but harmonized with the undulations of the surface, and of vegetation of larger growth; and the walks were so disposed as to serve both for pleasure and cultivation. Every thing was arranged with a view to ornament, even to the vine-trelliced well for filling the watering-pots. The whole, in short, was so ordered, as if designed to impress the conviction, that utility and beauty are by no means incompatible, and that pleasure may grow up by the side of wealth.

A whole country may, in like manner, grow rich, even upon its ornamental possessions. Were trees planted wherever they could thrive without

injury to other products*, besides the accession of beauty and salubrity, and the additional moisture attracted by the multiplication of timber-trees, the value of the timber alone would, in a country of much extent, amount to something considerable.

There is this advantage in the cultivation of timber-trees, that they require no human industry beyond the first planting, after which nature is the sole agent of their production. But it is not enough merely to plant, we must check the desire of cutting down, until the weak and slender stalk, gradually imbibing the juices of the earth and atmosphere, shall, without the hand of cultivation, have acquired bulk and solidity, and spread its lofty foliage to the heavens.† The best that man can do for it is, to forget it for some years; and, even where it yields no annual product, it will recompence his forbearance when arrived at maturity, by an

* In many countries, an exaggerated notion seems to prevail, of the damage done by timber-trees to other products of the soil; yet it should seem, that they rather enhance than diminish the revenue of the landholder; for we find those countries most productive, that are the best clothed with timber: witness Normandy, England, Belgium, and Lombardy.

† The leaves of trees absorb the carbonic-acid gas floating in the atmosphere we breathe, and which is so injurious to respiration. When this gas is superabundant, it brings on *asphyxia*, and occasions death. On the contrary, vegetation increases the proportion of oxygen, which is the gas most favourable to respiration and to health. *Ceteris paribus*, those towns are the healthiest, which have the most open spaces covered with trees. It would be well to plant all our spacious quays.

ample supply of firing, and of timber for the carpenter, the joiner, and the wheel-wright.

In all ages, the love of trees and their cultivation has been strongly recommended by the best writers. The historian of Cyrus records, among his chief titles to renown, the merit of having planted all Asia Minor. In the United States, upon the birth of a daughter, the cultivator plants a little wood, to grow up with her, and to be her portion on the day of marriage. Sully, whose views of policy were extremely enlightened, enriched most of the provinces of France with the plantations he directed. I have seen several, to which public gratitude still affixes his name; and they remind me of the saying of Addison, who was wont to exclaim, whenever he saw a plantation, "A useful man has passed this way."

As yet we have been taken up with the consideration of the agents essential to production; without whose agency mankind would have no other subsistence or enjoyment, than the scanty and limited supply, that nature affords spontaneously. We first investigated the mode in which these agents, each in its respective department, and all in concert, co-operate in the work of production, and have afterwards examined in detail the individual action of each, for the further elucidation of the subject. — We must now proceed to examine the extrinsic and accidental causes, which act upon production, and clog or facilitate the exertion of productive agents.

CHAP. XIV.

OF THE RIGHT OF PROPERTY.

It is the province of speculative philosophy to trace the origin of the right of property ; of legislation to regulate its transfer ; and of political science to devise the surest means of protecting that right. Political economy views the right of property solely as the most powerful of all encouragements to the multiplication of wealth, and is satisfied with its actual stability, without enquiring about its origin or its safeguards. In fact, the legal inviolability of property is obviously a mere mockery, where the sovereign power is unable to make the laws respected, where it either practices robbery itself,* or is impotent to repress it in others ; or where possession is rendered perpetually insecure, by the intricacy of legislative enactments, and the subtleties of technical nicety. Nor can property be said to exist, where it is not

* The strength of an individual is so little, when opposed to that of the government he lives under, that the subject can have no security against the exactions and abuses of authority, except in those countries, where the guardianship of the laws is entrusted to the all-searching vigilance of a free press, and their violation checked by an efficient national representation.

matter of reality as well as of right. Then, and then only can the sources of production, land, capital, and industry, attain their utmost degree of fecundity.

There are some truths so completely self-evident, that demonstration is quite superfluous. This is one of that number. Who will attempt to deny, that the certainty of enjoying the fruits of one's land, capital, and labour, is the most powerful inducement to render them productive? Or who is dull enough to doubt, that no one knows so well as the proprietor how to make the best use of his property? Yet how often in practice is that inviolability of property disregarded, which, in theory, is allowed by all to be so immensely advantageous? How often is it broken in upon for the most insignificant purposes; and its violation, that should naturally excite indignation, justified upon the most flimsy pretexts? so few persons are there who have a lively sense of any but a direct injury, or, with the most lively feelings, have firmness enough to act up to their sentiments. There is no security of property, where a despotic authority can possess itself of the property of the subject against his consent. Neither is there such security, where the consent is merely nominal and delusive. In England, the taxes are imposed by the national representation; if, then, the minister be in the possession of an absolute majority, whether by means of electioneering influence, or by the overwhelming patronage foolishly placed at

his disposal, taxation would no longer be in reality imposed by the national representatives; the body bearing that name would, in effect, be the representatives of the minister; and the people of England would be forcibly subjected to the severest privations, to further projects that possibly might be every way injurious to them.*

It is to be observed, that the right of property is equally invaded, by obstructing the free employment of the means of production, as by violently depriving the proprietor of the product of his land, capital, or industry; for the right of property, as defined by jurists, is the right of use, or even abuse. Thus, landed property is violated by arbitrarily prescribing tillage or plantation; or by interdicting particular modes of cultivation; the property of the capitalist is violated, by prohibiting particular ways of employing it; for instance, by interdicting large purchases of corn, directing all bullion to be carried to the mint, forbidding the proprietor to build on his own soil, or prescribing the form and requisites of the building. It is a further violation of the capitalist's property to prohibit any kind of industry, or to load it with duties amounting to prohibition, after he has once embarked his capital in that way. It is manifest, that a prohibition upon sugar

* Adam Smith has asserted, that the security afforded to property by the laws of England, has more than counteracted the repeated faults and blunders of its government. It may be doubted, whether he would now adhere to that opinion.

would annihilate most of the capital of the sugar refiners, vested in furnaces, utensils, &c., &c.*

The property a man has in his own industry is violated, whenever he is forbidden the free exercise of his faculties and talents, except inasmuch as they would interfere with the rights of third parties.† A similar violation is committed when

* It would be vain to say to him, why not employ your works in some other way? Probably, neither the spot nor the works of a refinery could be otherwise employed without enormous loss.

† The industrious faculties are, of all kinds of property, the least questionable; being derived directly either from nature, or from personal assiduity. The property in them is of higher pretensions than that of the land, which may generally be traced up to an act of spoliation; for it is hardly possible to show an instance, in which its ownership has been legitimately transmitted from the first occupancy. It ranks higher than the right of the capitalist also; for even taking it for granted, that this latter has been acquired without any spoliation whatever, and by the gradual accumulations of ages, yet the succession to it could not have been established without the aid of legislation, which aid may have been granted on conditions. Yet, sacred as the property in the faculties of industry is, it is constantly infringed upon, not only in the flagrant abuse of personal slavery, but in many other points of more frequent occurrence.

A government is guilty of an invasion upon it, when it appropriates to itself a particular branch of industry, the business of exchange and brokerage for example; or when it sells the exclusive privilege of conducting it. It is a still greater violation to authorise a *gendarme*, commissary of police or judge, to arrest and detain individuals at discretion, on the plea of public safety or security to the constituted authorities; thus depriving the individual of the fair and reasonable certainty of having his time and faculties at his own disposal, and of being able

a man's labour is put in requisition for one purpose, though designed by himself for another ; as when an artisan or trader is forced into the military life, whether permanently or merely for the occasion.

I am well aware, that the importance of maintaining social order, whereon the security of property depends, takes precedence of property itself; for which very reason, nothing short of the necessity of defending that order from manifest danger can authorise these or similar violations of individual right. And this it is which impresses upon the proprietors the necessity of requiring, in the constitution of the body politic, some guarantee or other, that the public service shall never be made a mask to the passions and ambition of those in power.

Thus taxation, when not intended as an engine of national depression and misery, must be proved indispensable to the existence of social order; every step it takes beyond these limits, is an actual spoliation; for taxation, even where levied by national consent, is a violation of property; since no values can be levied, but upon the produce of the land, capital, and industry of individuals.

But there are some extremely rare cases, where interference between the owner and his property is even beneficial to production itself. For ex-

able to complete what he may begin upon. What robber or despoiler could commit a more atrocious act of invasion upon the public security, certain as he his of being speedily put down, and counteracted by private as well as public opposition?

ample, in all countries that admit the detestable right of slavery, a right standing in hostility to all others, it is found expedient to limit the master's power over his slave. (a) Thus also, if a society stand in urgent need of timber for the shipwright or the carpenter, it must reconcile itself to some regulations respecting the felling of private woods*; or the fear of losing the veins of mineral that intersect the soil, may sometimes oblige a government to work the mines itself. It may be readily conceived, that, even if there were no restraints upon mining, want of skill, the impatience of avarice, or the insufficiency of capital, might induce a proprietor to exhaust the superficial, which are commonly the poorest lodes, and occasion the loss of those of superior depth and quality. Sometimes a vein of mineral passes through the ground of many proprietors, but is only accessible in one spot. In this case, the obstinacy of a refractory proprietor must be disregarded, and the prosecution of the works be compulsory; though, after all, I will not undertake to affirm, that it would

* Probably also, were it not for maritime wars, originating, sometimes in puerile vanity, and sometimes in national errors of self-interest, commerce would be the best purveyor of timber for ship-building; so that, in reality, the abuse of the interference of public authority, in respect to the growth of private timber, is only a consequence of a previous abuse of a more destructive and less excusable character.

(a) This is merely an instance of the necessity of counter-acting one poison by another. T.

not be more advisable on the whole to respect his rights, or that the possession of a few additional mines is not too dearly purchased by this infringement upon the inviolability of property.

Lastly, public safety sometimes imperiously requires the sacrifice of private property ; but that sacrifice is a violation, notwithstanding any indemnity given in such cases. For the right of property implies the free disposition of one's own ; and its sacrifice, however fully indemnified, is a forced disposition. (b)

When public authority is not itself a spoliator, it procures to the nation the greatest of all blessings, protection from spoliation by others. Without this protection of each individual by the united force of the whole community, it is impossible to conceive any considerable development of the productive powers of man, of land, and of capital ; or even to conceive the existence of capital at all ; for it is nothing more than accumulated value, operating under the safeguard of authority. This is the reason why no nation has ever arrived at any degree of opulence, that has not been subject to a regular government.

(b) Property being a mere creature of society, is, in strict justice, liable to the conditions essential to the well-being of society its creator. But, beyond all doubt, it is expedient to render it as inviolable and extensive as possible. Why? Because, 1. It is one of the rewards of industry ; and there is a manifest expedience in enlarging those stimulative rewards. 2. Its objects neither can nor will be turned to so much productive account, otherwise than by the perpetuation of the ownership. T.

Civilised nations are indebted to political organisation for the innumerable and infinitely various productions, that satisfy their infinite wants, as well as for the fine arts and the opportunities of leisure that accumulation affords, without which the faculties of the mind could never be cultivated, or man by their means attain the full dignity, whereof his nature is susceptible.

The poor man, that can call nothing his own, is equally interested with the rich in upholding the inviolability of property. His personal services would not be available, without the aid of accumulations previously made and protected. Every obstruction to, or dissipation of these accumulations is a material injury to his means of gaining a livelihood; and the ruin and spoliation of the higher is surely followed by the misery and degradation of the lower classes. A confused notion of the advantages of this right of property has been equally conducive with the personal interest of the wealthy, to make all civilised communities pursue and punish every invasion of property as a crime. The study of political economy is admirably calculated to justify and confirm this act of legislation; inasmuch as it explains, why the happy effects, resulting from the right of property, are more striking in proportion as that right is well guarded by political institutions.

CHAP. XV.

OF THE VENT OR DEMAND (a) FOR PRODUCTS.

IT is common to hear adventurers in the different channels of industry assert, that their difficulty lies, not in the production, but in the disposal of commodities; that produce would always be abundant, if there were but a ready demand, or vent. When the vent for their commodities is slow, difficult, and productive of little advantage, they pronounce money to be scarce; the grand object of their desire is, a consumption brisk enough to quicken sales and keep up prices. But ask them what peculiar causes and circumstances facilitate the demand for their products, and you will soon perceive, that most of them have extremely vague notions of these matters; that their observation of facts is imperfect, and their explanation still more so; that they treat doubtful points as matter of certainty, often pray for what is directly opposite to their interests, and

(a) *Debouchés*, vent, which must always imply demand. The latter term is made use of as more familiar to the English reader. T.

importunately solicit from authority a protection of the most mischievous tendency.

To enable us to form clear and correct practical notions, in regard to the vents for the products of industry, we must carefully analyse the best established and most certain facts, and apply to them the inferences we have already deduced from a similar way of proceeding; and thus perhaps we may arrive at new and important truths, that may serve to enlighten the views of the agents of industry, and to give confidence to the measures of governments anxious to afford them encouragement.

A man, who applies his labour to the investing of objects with value by the creation of utility of some sort, cannot expect that value to be appreciated and paid for, unless where other men have the means of purchasing it. Now, of what do those means consist? Of other values, of other products, likewise the fruit of industry, capital, and land. Which leads us to a conclusion, that may at first sight appear paradoxical; viz. that it is production which opens a demand for products.

Should a tradesman say, "I do not want other products for my woollens, I want money," there could be little difficulty in convincing him, that his customers cannot pay him in money, without having first procured it by the sale of some other commodities of their own. "Yonder farmer," he may be told, "will buy your woollens, if his crops be good, and will buy more or less according to

their abundance or scantiness. He can buy none at all, if his crops fail altogether. Neither can you buy his wool or his corn yourself, unless you contrive to get woollens or some other article to buy withal. You say, you only want money; I say, you want other commodities, and not money. For what, in point of fact, do you want the money? Is it not for the purchase of raw materials or stock for your trade, or of vic-tuals for your support? * Wherefore, it is pro-ducts that you want, and not money. The silver coin you will have received on the sale of your own products, and given in the purchase of those of other people, will the next moment execute the same office between other contracting parties, and so from one to another to infinity; just as a public vehicle successively transports objects one after another. If you cannot find a ready sale for your commodity, will you say, It is merely for want of a vehicle to transport it? For after all, money is but the agent of the transfer of values. Its whole utility has consisted in con-veying to your hands the value of the commodities, which your customer has sold, for the purpose of buying again from you; and the very next purchase you make, it will again convey to a third person the value of the products you may

* Even when money is obtained with a view to hoard or bury it, the ultimate object is always to employ it in a purchase of some kind. The heir or the lucky finder uses it in that way, if the miser do not: for money, as money, has no other use than to buy with.

have sold to others. So that you will have bought, and every body must buy, the objects of want or desire, each with the value of his respective products, transformed into money for the moment only. Otherwise, how could it be possible, that there should now be bought and sold in France five or six times as many commodities, as in the miserable reign of Charles VI.? Is it not obvious, that five or six times as many commodities must have been produced, and that they must have served to purchase one the other ?”

Thus, to say that sales are dull, owing to the scarcity of money, is to mistake the means for the cause ; an error that proceeds from the circumstance, that almost all produce is in the first instance exchanged for money, before it is ultimately converted into other produce ; and the commodity, which recurs so repeatedly in use, appears to vulgar apprehension the most important of commodities, and the end and object of all transactions, whereas it is only the medium. Sales cannot be said to be dull because money is scarce, but because other products are so. There is always money enough to conduct the circulation and mutual interchange of other values, when those values really exist. Should the increase of traffic require more money to facilitate it, the want is easily supplied, and is a strong indication of prosperity—a proof that a great abundance of values has been created, which it is wished to exchange for other values. In such cases, merchants know well enough how to find substitutes for the product

serving as the medium of exchange or money* ; and money itself soon pours in,† for this reason, that all produce naturally gravitates to that place where it is most in demand. It is a good sign when the business is too great for the money ; just in the same way as it is a good sign when the goods are too plentiful for the warehouses.

When a superabundant article can find no vent, the scarcity of money has so little to do with the obstruction of its sale, that the sellers would gladly receive its value in goods for their own consumption at the current price of the day : they would not ask for money, or have any occasion for that product, since the only use they could make of it would be to convert it forthwith into articles of their own consumption. †

This observation is applicable to all cases, where there is a supply of commodities or of services (*b*) in the market. They will universally find the most

* By bills at sight or after date, bank-notes, running credits, write-offs, &c. as at London and Amsterdam.

† I speak here of their aggregate consumption, whether unproductive and designed to satisfy the personal wants of themselves and their families, or expended in the sustenance of reproductive industry. The woollen or cotton manufacturer operates a two-fold consumption of wool and cotton, 1. For his personal wear. 2. For the supply of his manufacture ; but, be the purpose of his consumption what it may, whether personal gratification or reproduction, he must needs buy what he consumes with what he produces.

(*b*) *i. e.* Of the productive services of land, industry, and capital.

extensive demand in those places, where the most values are produced; because in no other places are the sole means of purchase created, *i.e.* values. Money performs but a momentary function in this double exchange; and when the transaction is finally closed, it will always be found, that one kind of produce has been exchanged for another.

It is worth while to remark, that a product is no sooner created, than it, from that instant, affords a market for other products to the full extent of its own value. When the producer has put the finishing hand to his product, he is most anxious to sell it immediately, lest its value should vanish in his hands. Nor is he less anxious to dispose of the money he may get for it; for the value of money is also perishable. But the only way of getting rid of money is in the purchase of some product or other. Thus, the mere circumstance of the creation of one product immediately opens a vent for other products.

For this reason, a good harvest is favourable, not only to the agriculturist, but likewise to the dealers in all commodities generally. The greater the crop, the larger are the purchases of the growers. A bad harvest, on the contrary, hurts the sale of commodities at large. And so it is also with the products of manufacture and commerce. The success of one branch of commerce supplies more ample means of purchase, and consequently opens a vent for the products of all the other branches; on the other hand, the stagnation of one channel of manufacture or of commerce is felt in all the rest.

But it may be asked, if this be so, how does it happen, that there is at times so great a glut of commodities in the market, and so much difficulty in finding a vent for them? Why cannot one of these superabundant commodities be exchanged for another? I answer, that the glut of a particular commodity arises from its having outrun the total demand for it in one of two ways; either because it has been produced in excessive abundance, or because the produce of other commodities has fallen short.

It is because the production of some commodities has declined, that other commodities are superabundant. To use a more hackneyed phrase, people have bought less, because they have made less profit*; and they have made less profit for one of two causes; either they have found difficulties in the employment of their productive means, or these means have themselves been deficient.

It is observable, moreover, that precisely at the same time that one commodity makes a loss, another commodity is making excessive profit.† And, since

* Individual profits must, in all ranks of production, from the general merchant to the common artisan, be derived from the participation in the values produced. The ratio of that participation will form the subject of Book. II., *infra*.

† The reader may easily apply these maxims to any time or country he is acquainted with. We have had a striking instance in France, during the years 1811, 1812, and 1813; when the high prices of colonial produce, of wheat, and other articles, went hand in hand with the low price of many others that could find no advantageous vent.

such profits must operate as a powerful stimulus to the cultivation of that particular kind of produce, there must needs be some violent means, or some extraordinary cause, a political or natural convulsion, or the avarice or ignorance of authority, to perpetuate this scarcity on the one hand, and consequent glut on the other. No sooner is the cause of this political disease removed, than the means of production feel a natural impulse towards the vacant channels, the replenishment of which restores activity to all the others. One kind of production would seldom outstrip the rest, and its products be disproportionately cheapened, were production left entirely to itself. *

* These considerations have hitherto been almost wholly overlooked, though forming the basis of correct opinions on matters of commerce, and of its regulation by the national authority. The right course, where it has, by good luck, been pursued, appears to have been selected by accident, or by, at most, a confused idea of its propriety, without either self-convinction, or the ability to convince other people.

Sismondi, who seems not to have very well understood the principles laid down in this and the three first chapters of Book II. of this work, instances the immense quantity of manufactured produce, with which England has of late inundated the markets of other nations, as a proof, that it is possible for industry to be too productive. (*Nouv. Prin.* liv. iv. c. 4.) But the glut thus occasioned proves nothing more than the feebleness of production in those countries, that have been thus glutted with English manufactures. Did Brazil produce wherewithal to purchase the English goods exported thither, those goods would not glut her market. Were England to admit the import of the products of the United States, she would find a better market for her own in those States. The English government, by the exorbitance of its taxation upon im-

Should a producer imagine, that many other classes, yielding no material products, are his cus-

port and consumption, virtually interdicts to its subjects many kinds of importation, thus obliging the merchant to offer to foreign countries a higher price for those articles, whose import is practicable, as sugar, coffee, gold, silver, &c., for the price of the precious metals to them is enhanced by the low price of their commodities; which accounts for the ruinous returns of their commerce.

I would not be understood to maintain in this chapter, that one product cannot be raised in too great abundance, in relation to all others; but merely that nothing is more favourable to the demand of one product, than the supply of another; that the import of English manufactures into Brazil would cease to be excessive and be rapidly absorbed, did Brazil produce on her side returns sufficiently ample; to which end it would be necessary, that the legislative bodies of either country should consent, the one to free production, the other to free importation. In Brazil, every thing is grasped by monopoly, and property is not exempt from the invasion of the government. In England, the heavy duties are a serious obstruction to the foreign commerce of the nation, inasmuch as they circumscribe the choice of returns. I happen myself to know of a most valuable and scientific collection of natural history, which could not be imported from Brazil into England by reason of the exorbitant duties. (c)

(c) The views of *Sismondi*, in this particular, have been since adopted by our own *Malthus*, and those of our author by *Ricardo*. This difference of opinion has given rise to an interesting discussion between our author and *Malthus*, to whom he has recently addressed a correspondence on this and other parts of the science. Were any thing wanting to confirm the arguments of this chapter, it would be supplied by a reference to his *Lettre 1. à M. Malthus*. *Sismondi* has vainly attempted to answer *Ricardo*, but has made no mention of his original antagonist. *Vide Annales de Legislation*, No. 1. art. 3. Geneve, 1820. T.

tomers and consumers equally with the classes that raise themselves a product of their own; as, for example, public functionaries, physicians, lawyers, churchmen, &c., and thence infer, that there is a class of demand other than that of the actual producers, he would but expose the shallowness and superficiality of his ideas. A priest goes to a shop to buy a gown, or a surplice; he takes the value, that is to make the purchase, in the form of money. Whence had he that money? From some tax-gatherer (*d*), who has taken it from a taxpayer. But whence did this latter derive it? From the value he has himself produced. This value, first produced by the tax-payer, and afterwards turned into money, and given to the priest for his salary, has enabled him to make the purchase. The priest stands in the place of the producer, who might himself have laid out the value of his product on his own account, in the purchase, perhaps not of a gown or surplice, but of some other more serviceable product. The consumption of the particular product, the gown or surplice, has but supplanted that of some other product. It is quite impossible, that the purchase of one product can be effected, otherwise than by the value of another. *

* The capitalist, in spending the interest upon his capital, spends his portion of the products raised by the co-operation of that capital. The general rules that regulate the ratio he receives

(*d*) The clergy of France are now part of the national establishment, and receive salaries from the public Exchequer. T.

From this important truth may be deduced the following important conclusions : —

1. That, in every community, the more numerous are the producers, and the more various their productions, the more prompt, numerous, and extensive are the vents for those productions ; and, by a natural consequence, the more profitable are they to the producers ; for price rises with the demand. But this advantage is to be derived from real production alone, and not from a forced circulation of products ; for a value once created is not augmented in its passage from one hand to another, nor by being seized and expended by the government, instead of by an individual. The man, that lives upon the productions of other people, originates no demand for those productions ; he merely puts himself in the place of the producer, to the great injury of production, as we shall presently see.

2. That each individual is interested in the general prosperity of all, and that the success of one branch of industry promotes that of all the others. In fact, whatever profession or line of business a man may devote himself to, he is the better paid and the more readily finds employment, in proportion as he sees others thriving equally around him. A man of talent, that scarcely vege-

receives, will be investigated in Book II., *infra*. Should he ever spend the principal, still he consumes products only ; for capital consists of products, devoted indeed to reproductive, but susceptible of unproductive consumption ; to which it is in fact consigned, whenever it is wasted or dilapidated.

tates in a retrograde state of society, would find a thousand ways of turning his faculties to account in a thriving community that could afford to employ and reward his ability. A merchant established in a rich and populous town, sells to a much larger amount than one who sets up in a poor district, with a population sunk in indolence and apathy. What could an active manufacturer, or an intelligent merchant, do in a small deserted and semi-barbarous town in a remote corner of Poland or Westphalia? Though in no fear of a competitor, he could sell but little, because little was produced: whilst at Paris, Amsterdam, or London, in spite of the competition of a hundred dealers in his own line, he might do business on the largest scale. The reason is obvious: he is surrounded with people who produce largely in an infinity of ways, and who make purchases, each with his respective products, that is to say, with the money arising from the sale of what he may have produced.

This is the true source of the gains made by the towns' people out of the country people, and again by the latter out of the former: both of them have wherewith to buy more largely, the more amply they themselves produce. A city, standing in the centre of a rich surrounding country, feels no want of rich and numerous customers; and, on the other side, the vicinity of an opulent city gives additional value to the produce of the country. The division of nations into agricultural, manufacturing, and commercial, is idle enough. For the success of a people in agriculture is a stimu-

lus to its manufacturing and commercial prosperity : and the flourishing condition of its manufacture and commerce reflects a benefit upon its agriculture also.*

The position of a nation, in respect of its neighbours, is analogous to the relation of one of its provinces to the others, or of the country to the town : it has an interest in their prosperity, being sure to profit by their opulence. The government of the United States, therefore, acted most wisely, in their attempt, about the year 1802, to civilize their savage neighbours, the Creek Indians. The design was, to introduce habits of industry amongst them, and make them producers, capable of carrying on a barter trade with the States of the Union ; for there is nothing to be got by dealing with a people that have nothing to pay. It is

* A productive establishment on a large scale is sure to animate the industry of the whole neighbourhood. "In Mexico," says Humboldt, "the best cultivated tract, and that which brings to the recollection of the traveller the most beautiful parts of French scenery, is the level country extending from Salamanca as far as Silao, Guanaxuato and Villa de León, and encircling the richest mines of the known world. Wherever the veins of precious metal have been discovered and worked, even in the most desert parts of the Cordilleras, and in the most barren and insulated spots, the working of the mines, instead of interrupting the business of superficial cultivation, has given it more than usual activity. The opening of a considerable vein is sure to be followed by the immediate erection of a town ; farming concerns are established in the vicinity ; and the spot so lately insulated in the midst of wild and desert mountains, is soon brought into contact with the tracts before in tillage." (*Essai pol. sur la Nouv. Espagne.*)

useful and honourable to mankind, that one nation among so many should conduct itself uniformly upon liberal principles. The brilliant results of this enlightened policy will demonstrate, that the systems and theories really destructive and fallacious are, the exclusive and jealous maxims acted upon by the old European governments, and by them most impudently styled *practical truths*, for no other reason, as it would seem, than because they have the misfortune to put them in practice. The United States will have the honour of proving experimentally, that true policy goes hand in hand with moderation and humanity. *

3. From this fruitful principle, we may draw this further conclusion, that it is no injury to the internal or national industry and production to buy and import commodities from abroad; for nothing can be bought from strangers, except with native products, which find a vent in this external

* It is only by the recent advances of Political Economy, that these most important truths have been made manifest, not to vulgar apprehension alone, but even to the most distinguished and enlightened observers. We read in Voltaire, that "such is the lot of humanity, that the patriotic desire for one's country's grandeur, is but a wish for the humiliation of one's neighbours;.....that it is clearly impossible for one country to gain, except by the loss of another." (*Dict. Phil. Art. Patrie.*) By a continuation of the same false reasoning, he goes on to declare, that a thorough citizen of the world cannot wish his country to be greater or less, richer or poorer. It is true, that he would not desire her to extend the limits of her dominion, because, in so doing, she might endanger her own well-being; but he will desire her progress in wealth, for her progressive prosperity promotes that of all other nations.

traffic. Should it be objected, that this foreign produce may have been bought with specie, I answer, specie is not always a native product, but must have been bought itself with the products of native industry; so that, whether the foreign articles be paid for in specie or in home produce, the vent for national industry is the same in both cases. *

* This effect has been sensibly experienced in Brazil of late years. The large imports of European commodities, which the freedom of navigation directed to the markets of Brazil, has been so favourable to its native productions and commerce, that Brazil products never found so good a sale. Here there is an instance of a national benefit arising from importation. By the way, it might have perhaps been better for Brazil if the prices of her products and the profits of her producers had risen more slowly and gradually; for exorbitant prices never lead to the establishment of a permanent commercial intercourse; it is better to gain by the multiplication of one's own products than by their increased price. (e)

(e) To the present enjoyment of the importing nation, it is a positive benefit to have a larger consumption of imports, without any additional industry or production of its own. It is a benefit acquired at the expense of external industry, or perhaps merely by an accidental removal of natural or artificial difficulty of attainment. But the enlargement of its own productive powers is a more important and a prospective benefit. The experience of English commerce has, however, proved, that a casual inflation of the price of domestic, and depression of that of external products, may be the basis of permanent commerce. The low price of coffee, during the war, has unquestionably extended its permanent consumption in England; and the low prices of English manufactures have certainly extended, if not introduced, their consumption in Spanish America. There has been created a lasting appetite for them, which

4. The same principle leads to the conclusion, that the encouragement of mere consumption is no benefit to commerce ; for the difficulty lies in supplying the means, not in stimulating the desire of consumption ; and we have seen, that production alone, furnishes those means. Thus it is the aim of good government to stimulate production, of bad government to encourage consumption. (f)

which is the stimulus of domestic industry. The true method of rendering savages industrious is, by exciting the appetite for consumption.

(f) It is at this point, that the opinions of our author, and Ricardo on the one side, and of *Sismondi*, and Malthus on the other, diverge in opposite directions, on the subject of unproductive consumption. It is worth while to state the substance of this difference.

Consumption, says our author, can only be of objects produced, the amount of which must ever determine its extent. Wherefore, let a government encourage production to the utmost, and, with that view, check all consumption, but that effected in the process of reproduction. But this position is laid down somewhat too broadly. It is the desire and prospect of consumption that sets industry in motion ; and this stimulus would be absolutely inoperative, unless that desire were first excited. Now it often happens, that mere barren consumption awakens, still oftener than it quickens that desire. The wants of the islander of the Southern Pacific are few, and his indolence is proportionate ; the gratuitous taste of fermented liquors excites a new desire, to gratify which, he must make some extra exertion of his faculties. So, in civilized society, the landholder, or inactive capitalist, gives an entertainment to his neighbour the manufacturer : the relish of pleasure, the ambition of similar display, are excited by the barren consumption, in the bosom of the guest ; and he seeks their gratification by the only means in which it is practicable, viz. out of

For the same reason, that the creation of a new product is the opening of a new vent for other

the more ample product of his own additional industry. Thus, it is unproductive consumption, or the consumption of the immaterial pleasures of vanity, or at best of intellectual enjoyment, that operates as the stimulus of industry, and tends to the amplification of this, the secondary source of human wealth. To repress or extinguish it would be to destroy the main spring of national and individual prosperity.

The opposite opinion, however, is still more wide of the truth. Production, says *Sismondi*, and after him *Malthus*, may, by possibility, nay it actually has, outrun consumption: wherefore it is consumption, barren consumption, that needs a stimulus, and not production; for, of what use is it to produce, unless the product be consumed? Must not production soon exceed the utmost powers of consumption? This is an argument that would justify the most destructive measures of a government, and the most pernicious institutions of human improvidence. The wasteful expenditure of war might be shown to be a national benefit; the incubus of an enormous national debt, and consequent exorbitance of taxation, a necessary expedient, if not a positive good; and the poor-law system of England a blessing, instead of a curse. For all these circumstances stimulate barren consumption, the consumption of human beings, who themselves either produce nothing whatever, or produce what is unnecessary, or perhaps even mischievous. Nay, a system built upon these maxims would aim rather at checking, than advancing the work of production, or possibly at the reduction of its power and activity. Fortunately for the interests of mankind, this novel and alarming doctrine is utterly at variance both with theory and practice: though the names by which it has been propounded have given it a most dangerous currency. Every addition to the productive power of a nation is a positive good; and there is no possibility of production outrunning consumption, so long as that consumption is free. If native products be superabundant, they will be exchanged for foreign products; if material products

products, the consumption or destruction of a product is the stoppage of a vent for them. This

be over plentiful, they will be bartered for immaterial one ; and the relative advantage of engaging in these several departments of production will determine the choice of individual industry. But, if an interdict be laid upon the energy of any one of these departments, then, indeed, the products of the rest may become superabundant. For, although there exist in the community an equal appetite for the consumption of the products of all, the ability to consume of all the individuals engaged in the interdicted branch being abridged or annihilated, the appetite for consumption of those engaged in the remaining departments may be unequal to the supply on hand of their own products. The frustration of the appetite for literary enjoyment or for silks does not increase the appetite for mutton or for sugar. Wherefore, it is utterly impossible for the national power of production to become excessive, except by the limitation of national consumption. By this expedient alone can willing industry be deprived of occupation, and active production of its reward.

Furthermore, it is observable, that the powers of material, are far more limited than those of immaterial production. By the aid of machinery, a portion only of the national industry may be competent to supply the total consumption of the community in this branch. The surplus industry must then be directed to the extension of immaterial supplies, which may be carried to an indefinite degree. *Sismondi* and *Malthus* reckon the producers in this department as unproductive. Had they, in maintaining the necessity of unproductive consumption, confined that necessity to the consumption of those classes only which contribute to immaterial production, however faulty their classification might be, their position would be right and sound. But amongst unproductive consumers they include those also who produce nothing at all, either material or immaterial. The existence and multiplication of these latter, though always a probable, is never a necessary or a desirable consequence of the enlargement of productive power. T.

is no evil, where the end of the product has been answered by its destruction, which end is the satisfying of some human want, or the creation of some new product designed for such a satisfaction. Indeed, if the nation be in a thriving condition, the gross national reproduction exceeds the gross consumption. The consumed products have fulfilled their office, as it is natural and fitting they should; the consumption, however, has opened no new vent, but just the reverse. *

Having once arrived at the clear conviction, that the general demand for produce is brisk in proportion to the activity of production, we need not trouble ourselves much to enquire, towards what channel of industry production may be most advantageously directed. The products created give rise to various degrees of demand, according to the wants, the manners, the comparative capital, industry, and natural resources of each country; the articles most in request, owing to the competition of buyers, yield the best interest of money to the capitalist, the largest profits to the adventurer, and the best wages to the labourer; and the agency of their respective services is naturally

* If the barren consumption of a product be of itself adverse to reproduction, and a diminution *pro tanto* of the existing demand or vent for produce, how shall we designate that degree of insanity, which could induce a government deliberately to burn and destroy the imports of foreign produce, and thus to annihilate the sole advantage accruing from unproductive consumption, that is to say, the gratification of the wants of the consumer?

attracted by these advantages towards those particular channels.

In a community, city, province, or nation, that produces abundantly, and adds every moment to the sum of its products, almost all the branches of commerce, manufacture, and generally of industry, yield handsome profits, because the demand is great, and because there is always a large quantity of produce in the market, ready to bid for new productive services. And, *vice versâ*, wherever, by reason of the blunders of the nation or its government, production is stationary, or does not keep pace with consumption, the demand gradually declines; the value of the products is less than the charges of their production; no productive exertion is properly rewarded; profits and wages decrease; the employment of capital becomes less advantageous and more hazardous; it is consumed piece-meal, not through extravagance, but through necessity, and because the sources of profit are dried up.* The labouring classes experience a want of work; families before in tolerable circumstances are more cramped and confined; and those before in difficulties, are left altogether destitute. Depopulation, misery, and

* Consumption of this kind gives no encouragement to future production, but devours products already in existence. No additional demand can be created, until there be new products raised; there is only an exchange of one product for another. Neither can one branch of industry suffer without affecting the rest. ❖

returning barbarism, occupy the place of abundance and happiness.

Such are the concomitants of declining production, which are only to be remedied by frugality, intelligence, activity, and freedom.

CHAP. XVI.

OF THE BENEFITS RESULTING FROM THE BRISK CIRCULATION OF MONEY AND COMMODITIES.

It is common to hear people descant upon the benefits of an active circulation; that is to say, of numerous and rapid sales. It is material to appreciate them correctly.

The values engaged in actual production cannot be realised and employed in production again, until arrived at the last stage of completion, and sold to the consumer. The sooner a product is finished off and sold, the sooner also can the portion of capital vested in it be applied to the business of fresh production. The capital being engaged a shorter time, there is less interest payable to the capitalist; there is a saving in the charges of production; it is, therefore, an advantage, that the successive operations performed in the course of production should be rapidly executed.

By way of illustrating the effects of this activity of circulation, let us trace them in the instance of a piece of printed calico.*

* The term circulation, as well as many others employed in the science of political economy, is daily made use of at random,

A Lisbon trader imports the cotton from Brazil. It is his interest, that his factors in America be expeditious in making purchases and remitting cargoes, and likewise, that he meet no delay in selling his cotton to a French merchant; because he thereby gets his returns the sooner, and can sooner recommence a new and equally lucrative operation. So far it is Portugal that benefits by the increased activity of circulation; the subsequent advantage is on the side of France. If the French merchant keep the Brazil cotton but a short time in his warehouse, before he sells it to the cotton spinner, if the spinner after spinning sell it immediately to the weaver, if the weaver dispose of it forthwith to the calico printer, and he in his turn sell it without much delay to the retail dealer, from whom it quickly passes to the consumer, this rapid circulation will have occupied for a shorter period the capital embarked by these respective producers; less interest of capital will have been incurred; consequently, the prime cost of the article will be lower, and the capital will have been the sooner disengaged and applicable to fresh operations.

All these different purchases and sales, with many others that, for brevity's sake, I have not

random, even by persons that pride themselves upon their precision. "The more equally circulation is diffused," says *La Harpe*, in one of his works, "the less indigence is to be found in the community." With great deference to the learned academician, what possible meaning can the word circulation have in this passage?

noticed, were indispensable before the Brazil cotton could be worn in the shape of printed calicoes. They are so many productive fashions given to this product; and the more rapidly they may have been given, the more benefit will have been derived from the production. But, if the same commodity be merely sold several times over in a year in the same place without undergoing any fresh modification, this circulation would be a loss instead of a gain, and would increase, instead of reducing the prime cost to the consumer. A capital must be employed in buying and reselling, and interest paid for its use, to say nothing of the probable wear and tear of the commodity.

Thus, jobbing in merchandise necessarily causes a loss, either to the jobber, if the price be not raised by the transaction, or to the consumer, if it be raised. *

The activity of circulation is at the utmost pitch to which it can be carried with advantage, when the product passes into the hands of a new productive agent the instant it is fit to receive a new modification, and is ultimately handed over to the consumer, the instant it has received the last finish. All kind of activity and bustle not tending to this end, far from giving additional activity to circulation, is an impediment to the course of produc-

* The trade of speculation, as we have before observed, (*suprà*, Chap. 9.) is sometimes of use in withdrawing an article from circulation, when its price is so low as to discourage the producer, and restoring it to circulation, when that price is unnaturally raised upon the consumer.

tion, — an obstacle to circulation by all means to be avoided.

With respect to the rapidity of production arising from the more skilful direction of industry, it is an increase of rapidity, not in circulation, but in productive energy. The advantage is analogous ; it abridges the occupation of capital.

I have made no distinction between the circulation of goods and of money, because there really is none. While a sum of money lies idle in a merchant's coffers, it is an inactive portion of his capital, precisely of the same nature, as that part of his capital which is lying in his warehouse in the shape of goods ready for sale.

The best stimulus of useful circulation is, the natural wish of all classes, especially the producers themselves, to incur the least possible amount of interest upon the capital embarked in their respective undertakings. Circulation is much more apt to be interrupted by the obstacles thrown in its way, than by the want of proper encouragement. Its greatest obstructions are, wars, embargoes, oppressive duties, the dangers and difficulties of transport. It flags in times of alarm and uncertainty, when social order is threatened, and all undertakings are hazardous. It flags too under the general dread of arbitrary exactions, when every one tries to conceal the extent of his ability. Finally, it flags in times of jobbing and speculation, when the sudden fluctuations caused by gambling in produce make people look for a profit from every variation of mere relative price : goods

are then held back in expectation of a rise, and money in the prospect of a fall ; and, in the interim, both these capitals remain inactive and useless to production. Under such circumstances, there is no circulation, but of such produce as cannot be kept without danger of deterioration ; as fruits, vegetables, grain, and all articles that spoil in the keeping. With regard to them, it is thought wiser to incur the loss of present sale, whatever it be, than to risk considerable or total loss. If the national money be deteriorated, it becomes an object to get rid of it in any way, and exchange it for commodities. This was one of the causes of the prodigious circulation that took place during the progressive depreciation of the French *assignáts*. Every body was anxious to find some employment for a paper currency, whose value was hourly evaporating ; it was only taken to be re-invested immediately, and one might have supposed it burnt the fingers it passed through. On that occasion, men plunged into commerce, of which they were utterly ignorant ; manufactures were established, houses repaired and furnished, no expense was spared even in pleasure ; until at length all the value each individual possessed in *assignáts* was finally consumed, invested, or lost altogether.

CHAP. XVII.

OF THE EFFECT OF GOVERNMENT REGULATIONS INTENDED
TO INFLUENCE PRODUCTION.

STRICTLY speaking, there is no act of government but what has some influence upon production. I shall confine myself in this chapter to such as are avowedly aimed at the exertion of such influence; reserving the effects of the monetary system, of loans, and of taxes, to be treated of in distinct chapters.

The object of governments, in their attempts to influence production, is, either to prescribe the raising of particular kinds of produce, which they judge more advantageous than others, or to prescribe methods of production, which they imagine preferable to other methods. The effects of this two-fold attempt upon national wealth will be investigated in the two first sections of this chapter: in the remaining two, I shall apply the same principles to the particular cases of privileged companies, and of the corn-trade, both on account of their vast importance, and for the purpose of further explaining and illustrating the principles. We shall see by the way, what reasons and circumstances will require or justify a deviation from general prin-

ciples. The grand mischiefs of authoritative interference proceed, not from occasional exceptions to established maxims, but from false ideas of the nature of things, and the false maxims built upon them. It is then that mischief is done by wholesale, and evil pursued upon system : for it is well to be aware, that no set of men are more bigotted to system, than those who boast that they go upon none.*

SECT. I.

Effect of Regulations prescribing the Nature of the Products.

THE natural wants of society, and its circumstances for the time being, occasion a more or less lively demand for particular kinds of produce. Consequently, in these branches of production, productive services are somewhat better paid than in the rest; that is to say, the profits upon land, capital, and labour, devoted to those branches of

* The greatest sticklers for adhering to practical notions set out with the assertion of general principles : they begin, for instance, with saying, that no one can dispute the position, that one individual can gain only what another loses, and one nation profit only by the sacrifices of another. What is this but system? and one so unsound, that its abettors, instead of possessing more practical knowledge than other people, shew their utter ignorance of many facts, the acquaintance with which was indispensable to the formation of a correct judgment. No man, who understands the real nature of production, and sees how new wealth both may be, and is daily created, would attempt to advance so gross an absurdity.

production, are somewhat larger. This additional profit naturally attracts producers, and thus the nature of the products is always regulated by the wants of society. We have seen, in a preceding chapter (xv.), that these wants are more ample in proportion to the sum of gross production, and that society in the aggregate is a larger purchaser, in proportion to its means of purchasing.

When authority throws itself in the way of this natural course of things, and says, the product you are about to create, that which yields the greatest profit, and is consequently the most in request, is by no means the most suitable to your circumstances; you must undertake some other: it evidently directs part of the productive energies of the nation towards an object of less desire, at the expense of another object of more urgent desire.

In France, about the year 1794, there were some persons persecuted, and even brought to the scaffold, for having converted corn-land into pasturage. Yet, the moment these unhappy people found it more profitable to feed cattle than to grow corn, one might have been sure, that society stood more in need of cattle than of grain, and that greater value could be produced in one way than in the other.

But, said the public authorities, the value produced is of less importance than the nature of the product, and we would rather have you raise 50 *fr.* worth of grain than 100 of butcher's meat. In this they betrayed their ignorance of the simple truth, that the greatest product is always the best;

and that an estate, which should produce in butcher's-meat wherewith to purchase twice as much wheat as could have been raised upon it, produces, in reality, twice as much wheat as if it had been sowed with grain; since wheat to twice the amount is to be got for its produce. This way of getting wheat, they will tell you, does not increase its total quantity. True, unless it be introduced from abroad; but nevertheless, this article must at the time be relatively more plentiful than butcher's-meat, because the produce of two acres of wheat is given for that of one acre of pasture.* And, if wheat be sufficiently scarce, and in sufficient request to make tillage more profitable than grazing, legislative interference is superfluous altogether; for self-interest will make the producer turn his attention to the former.

The only question then is, which is the most likely to know what kind of cultivation yields the largest returns, the cultivator or the government; and we may fairly take it for granted, that the cultivator, residing on the spot, making it the object of constant study and enquiry, and more interested in success than any body, is better informed in this respect than the government.

* At the disastrous period in question, there was no actual want of wheat; the growers merely felt a disinclination to sell for paper-money. Wheat was sold for real value at a very reasonable rate; and, though a hundred thousand acres of pasture land had been converted into arable, the disinclination to exchange wheat for a discredited paper-money would not have been a jot reduced.

Should it be insisted upon in argument, that the cultivator knows only the price-current of the day, and does not, like the government, provide for the future wants of the people, it may be answered, that one of the talents of a producer, and a talent his own interest obliges him assiduously to cultivate, is, not the mere knowledge, but the fore-knowledge of human wants.*

An evil of the same description was occasioned, when, at another period, the proprietors were compelled to cultivate beet-root, or woad, in lieu of grain : indeed, we may observe, *en passant*, that it is always a bad speculation to attempt raising the products of the torrid, under the sun of the temperate latitudes. The saccharine and colouring juices, raised on the European soils with all the forcing in the world, are very inferior in quantity and quality to those that grow in profusion in other climates† : while, on the other hand, those soils yield abundance of grain and fruits too bulky and heavy to be imported from a distance. In con-

* Of course, in extraordinary cases, like that of a siege or a blockade, ordinary rules of conduct must be disregarded. However irksome the necessity, violent obstructions to the natural course of human affairs must be removed by counter-acting violence; poison is in dangerous cases resorted to as a medicine; but these remedies require extreme care and skill in the application.

† M. de Humboldt has remarked, that seven square leagues of land in a tropical climate, can furnish as much sugar as the utmost consumption of France, in its best days, has ever required.

demning our lands to the growth of products ill-suited to them, instead of those they are better calculated for, and, consequently, buying very dear what we might have cheap enough, if we would consent to receive them from places where they are produced with advantage, we are ourselves the victims of our own absurdity. It is the very *acmé* of skill, to turn the powers of nature to the best account, and the height of madness to contend against them ; which is in fact wasting part of our strength, in destroying those powers she designed for our aid.

Again, it is laid down as a maxim, that it is better to buy produce dear, when the price remains in the country, than to get it cheap from foreign growers. On this point I must refer my readers to that analysis of production which we have just gone through. It will there be seen, that products are not to be obtained without some sacrifice,—without the consumption of substances and productive agency in some ratio or other, the value of which is in this way as completely lost to the community, as if it were to be exported. *

* In the sequel of this chapter, it will be shown, that values exported give precisely the same encouragement to domestic industry, as if they are consumed at home. In the instance just cited, suppose that wine had been grown instead of the sugar of beet-root, or the blue dye of woad, the domestic and agricultural industry of the nation would have been quite as much encouraged. And, since the product would have been more congenial to the climate, the wine produced from the same land would have procured a larger quantity of colonial sugar and indigo through the channel of commerce, even if conducted

I can hardly suppose any government will be bold enough to object, that it is indifferent about the profit, which might be derived from a more advantageous production, because it would fall to the lot of individuals. The worst governments, those which set up their own interest in the most direct opposition to that of their subjects, have by this time learnt, that the revenues of individuals are the regenerating source of public revenue ; and that, even under despotic and military sway, where taxation is mere organized spoliation, the subjects can pay only what they have themselves acquired.

The maxims we have been applying to agriculture accord equally with manufacture. Sometimes

by neutrals or enemies. The colonial sugar and indigo would have been equally the product of our own land, though first assuming the shape of wine ; only the same space of land would have produced them in superior quantity and quality. And the encouragement to domestic industry would be the same, or rather would be greater ; because a product of superior value would reward more amply the agency of the land, capital, and industry, engaged in the production. (a)

(a) This position is certainly correct; but it is possible to suppose, that a nation may be deprived of the option. Suppose the export of wines to be altogether obstructed, then possibly the domestic production of wine may exceed the domestic demand or appetite for it. And, although the appetite for sugar and indigo may remain, the nation will not have wherewithal to procure them. In this extreme case, it is an obvious advantage to the nation to diminish its production of wine, and devote the land to some other product ; and possibly it may be an advantage to grow that peculiar one, for which the appetite remains, without the means of otherwise gratifying it. T.

a government entertains a notion, that the manufacture of a native raw material is better for the national industry, than the manufacture of a foreign raw material. It is in conformity to this notion, that we have seen instances of preference given to the woollen and linen above the cotton manufacture. By this conduct we contrive, as far as in us lies, to limit the bounty of nature, who pours forth in different climates a variety of materials adapted to our innumerable wants. Whenever human efforts succeed in attaching to these gifts of nature a value, that is to say, a degree of utility, whether by their import, or by any modification we may subject them to, an useful act is performed, and an item added to national wealth. The sacrifice we make to foreigners in procuring the raw material is not a whit more to be regretted, than the sacrifice of advances and consumption, that must be made in every branch of production, before we can get a new product. Personal interest is, in all cases, the best judge of the extent of the sacrifice, and of the indemnity we may expect for it; and, although this guide may sometimes mislead us, it is the safest in the long run, as well as the least costly. *

* One is obliged every moment to turn round and combat objections, that never could have been started, if the science of Political Economy had been more widely diffused. It will here, for instance, in all probability, be said,—granting that the sacrifice made in the purchase of the raw flax for manufacture, and that made in the purchase of cotton, is to the manufacturer or merchant equal in the one case and the other,—still, in the one case,

But personal interest is no longer a safe criterion, if individual interests are not left to counteract and control each other. If one individual, or one class, can call in the aid of authority to ward off the effects of competition, it acquires a privilege to the prejudice and at the cost of the whole community; it can then make sure of profits not altogether due to the productive services rendered, but composed in part of an actual tax upon consumers for its private profit; which tax it commonly shares with the authority, that thus unjustly lends its support.

The legislative body has great difficulty in resisting the importunate demands for this kind of privileges; the applicants are the producers that are to benefit thereby, who can represent, with much plausibility, that their own gains are a gain

the amount of the sacrifice is expended and consumed in the nation itself, and conduces to the national advantage; in the other, the whole advantage goes to the foreign grower. I answer, the advantage goes to the nation in either case; for the foreign raw material, cotton, cannot be purchased, except with a domestic product, which must be bought of the national grower before the merchant can go to market; whether flax or any thing else, it must be some value of domestic creation. Why may he not buy with money? Money itself must have been originally purchased with some other product, which must have occupied domestic industry, as much as the growth of flax. Turn it which way you will, it comes to the same thing in the end. Wealth can only be acquired by the production of value, or lost by its consumption; and, putting absolute robbery out of the question, the whole consumption of a nation must always be supplied from its internal resources, its land, capital, and industry, even that portion of it which falls upon external objects.

to the industrious classes, and to the nation at large, their workmen and themselves being members of the industrious classes, and of the nation. *

When the cotton manufacture was first introduced in France, all the merchants of Amiens, Rheims, Beauvais, &c. joined in loud remonstrances, and represented, that the industry of these towns was annihilated. Yet they do not appear less industrious or rich than they were fifty years ago; while the opulence of Rouen and all Normandy has been wonderfully increased by the new fabric.

The outcry was infinitely greater, when printed calicoes first came into fashion; all the chambers of commerce were up in arms; meetings, debates, were every where held; memorials and deputations poured in from every quarter, and great sums were spent in the opposition. Rouen now stood forward to represent the misery about to assail her, and painted, in moving colours, "old men, women, and children, rendered destitute; the best cultivated lands in the kingdom lying waste, and the whole of a rich and beautiful province depopulated." The city of Tours urged the lamentations of the deputies of the whole kingdom, and foretold "a commotion that would shake the frame of social order itself." Lyons could not view in silence a project "which filled all her ma-

* No one cries out against them, because very few know who it is that pays the gains of the monopolist. The real sufferers, the consumers themselves, often feel the pressure, without being aware of the cause of it, and are the first to abuse the enlightened individuals, who are really advocating their interests.

nufactories with alarm." Never on so important an occasion had Paris presented itself at the foot of a throne, "watered with the tears of commerce." Amiens viewed the introduction of printed calicoes as the gulf, that must inevitably swallow up all the manufactures of the kingdom. The memorial of that city, drawn up at a joint meeting of the three corporations, and signed unanimously, ended in these terms: 'To conclude, it is enough for the eternal prohibition of the use of printed calicoes, that the whole kingdom is chilled with horror at the news of their proposed toleration. *Vox populi, vox dei.*'

Hear what Roland de la Platière, who had the presentation of these remonstrances in quality of inspector-general of manufactures, says on this subject, 'Is there a single individual at the present moment, who is mad enough to deny, that the fabric of printed calicoes employs an immense number of hands, what with the dressing of the cotton, the spinning, weaving, bleaching, and printing?' This article has improved the art of dyeing in a few years, more than all the other manufactures together have done in a century.'

I must beg my readers to pause a moment, and reflect, what firmness and extensive information respecting the sources of public prosperity were necessary to uphold an administration against so general a clamour, supported, amongst the principal agents of authority, by other motives, besides that of public utility.

Though governments have too often presumed

upon their power to benefit the general wealth, by prescribing to agriculture and manufacture the raising of particular products, they have interfered much more particularly in the concerns of commerce, especially of external commerce. These bad consequences have resulted from a general system, distinguished by the name of the *exclusive* or *commercial system*, which attributes the profits of a nation to what is technically called, a *favorable balance of trade*. Before we enter upon the investigation of the real effect of regulations, intended to secure to a nation this balance in its favor, it may be as well to form some notion what it really is, and what is its professed object: which I shall attempt in the following

DIGRESSION

UPON WHAT IS CALLED THE BALANCE OF TRADE.

The comparison a nation makes between the value of its exports to, and that of its imports from foreign parts, forms what is called the balance of its trade. If it have exported more commodities than it has imported, it is taken for granted, that the nation has to receive the difference in gold or silver; and the balance of trade is then said to be in its favor; and when the case is reversed, the balance is said to be against it.

The exclusive system proceeds upon these maxims: 1. That the commerce of a nation is advantageous, in proportion as its exports exceed its

imports, and as there is a larger cash balance receivable in specie, or in the precious metals :
2. That, by means of duties, prohibitions, and bounties, the government can make that balance more in favor of, or less against, the nation.

These two maxims must be analysed minutely : in the first place, then, let us see what is the course of practice.

When a merchant sends goods abroad, he causes them to be there sold, and receives, by the hands of his correspondents there, the price of his goods, in the money of the country. If he expects to make a profit upon the return cargo, he causes that price to be laid out in foreign produce, and remitted home to him. The operation is with little variation the same, when he begins at the other end ; that is to say, by making purchases abroad, which he pays for by remitting home-produce thither. These operations are not always executed on account of the same merchant. It sometimes happens, that the trader, who undertakes the outward, will not undertake the homeward adventure. In that case he draws bills at date, or upon sight, upon his correspondents, by whom the goods have been sold : these bills he sells, or negotiates, to somebody, who sends them to the place they are drawn upon, where they are made use of in the purchase of fresh goods, which the last-mentioned person imports himself. *

* What has been said of one trader, may be said equally of two, — three, — in short, of all the traders in the nation. As far

In both cases, one value is exported, another value is imported in return ; but we have not stopt to enquire, if any part of the value either exported or imported consisted of the precious metals. It may reasonably be assumed, that merchants, when left the free choice of what goods they will speculate in, will prefer those that offer the largest profit ; that is to say, those which will bear the greatest value when they arrive at the place of destination. For example, a French merchant has consigned brandies to England, and has to receive from England for such his consignment, 1000*l.* sterling : he naturally sits down to calculate the difference between what he will receive, if he import his 1000*l.* in the shape of the precious metals, and what he will receive, if he import that sum in the shape of cotton manufactures. *

far as concerns the balance of commerce, the operations of the whole will resolve themselves into what I have just stated. Individual losses may occur on either side, from the folly or knavery of some few of the traders engaged ; but we may take it for granted, that they will, on the average, be inconsiderable, in comparison with the total of business done : at all events, the losses on the one side will commonly balance those on the other.

It is of very little importance to our purpose to enquire, by whom the charge of transport is borne : usually, the English trader pays the freight of the goods he buys and imports from France, and the French trader does the like upon his purchases from England ; both of them look for the re-imbursement of this outlay to the value added to the articles by the circumstance of transport.

* It may be well here to point out a manifest blunder of some partisans of the exclusive system. They look upon nothing

If the merchant find it more advantageous to get his returns in goods than in specie, and if it

thing that a nation receives from abroad as a national gain, except what is received in the form of specie; which is in effect to maintain, that a hatter, who sells a hat for 24 *fr.*, gains the whole 24 *fr.*, because he receives it in specie. But this cannot be: money, like other things, is itself a commodity. A French merchant consigns to England brandies to amount of 20,000 *fr.*: his commodity was equivalent in France to that sum in specie; if it sell in England for 1000*l.* sterling, and that sum remitted in gold or silver be worth 24,000 *fr.* there is a gain of 4000 *fr.* only, although France has received 24,000 *fr.* in specie. And, should the merchant lay out his 1000*l.* sterling in cotton goods, and be able to sell them in France for 28,000 *fr.* there would then be a gain to the importer and to the nation of 8000 *fr.*, although no specie whatever had been brought into the country. In short, the gain is precisely the excess of the value received above the value given for it, whatever be the form in which the import is made.

It is curious enough, that the more lucrative external commerce is, the greater must be the excess of the import above the export; and that the very thing, which the partisans of the exclusive system deprecate as a calamity, is of all things to be desired. I will explain why. When there has been an export of 10, and an import in return of 11 millions, there is in the nation a value of 1 million more than before the interchange. And, in spite of the specious statements of the balance of commerce, this must almost always be so, otherwise the traders would gain nothing. In fact, the value of the export is estimated at its value before shipment, which is increased by the time it reaches the destination: with this augmented value the return is purchased, which also receives a like accession of value by the transport. The value of this import is estimated at the time of entry. Thus, the result is the presence of a value equal to that exported, *plus* the gains outward and homeward. Wherefore, in a thriving country, the value of the total imports should always exceed that of the exports. What then

be admitted, that he knows his own interest better than any body else, the sole point left for discussion is, whether returns in specie, though less advantageous to the merchant, may not be better for the nation, than returns of any other article: whether, in short, it be desirable in a national point of view, that the precious metals should abound, in preference to any other commodity.

What are the functions of the precious metals in the community? If shaped into trinkets or plate, they serve for personal ornament, for the

then are we to think of the Report of the French Minister of the Interior in 1813, who makes the total exports to have been 383 millions of *francs*, and the total imports, inclusive of specie, but 350 millions: a statement upon which he felicitates the nation, as the most favorable that had ever been presented. Whereas, this balance shews, on the contrary, what every body felt and knew, that the commerce of France was then making immense losses, in consequence of the blunders of her administration, and the total ignorance of the first principles of Political Economy.

In a tract upon the kingdom of Navarre in Spain, (*Annales des Voyages*, tom. i. p. 312.) I find it stated, that, on comparison of the value of the exports with that of the imports of that kingdom, there is found to be an annual excess of the former above the latter of 600,000 *fr.* Upon which the author very sagely observes, "that, if there be one truth more indisputable than another, it is this, that a nation which is growing rich cannot be importing more than it is exporting; for then its capital must diminish perceptibly. And, since Navarre is in a state of gradual improvement, as appears from the advance of population and comfort, it is clear—," that I know nothing about the matter, he might have added; "—for I am citing an established fact to give the lie to an indisputable principle." We are every day witnessing contradictions of the same kind.

splendor of our domestic establishments, or for a variety of domestic purposes; they are converted into watch-cases, spoons, forks, dishes, coffee-pots; or rolled out into leaves for the embellishment of picture-frames, book-binding, and the like; in which case, they form part of that portion of the capital of the community, which yields no interest, but is devoted to the production of utility or pleasure. It is doubtless an advantage to the nation, that the material, whereof this portion of its capital consists, should be cheap and abundant. The enjoyment they afford in these various ways is then obtained at a lower rate, and is more widely diffused. There are many establishments on a moderate scale, which, but for the discovery of America, would have been unable to make the show of plate that is now seen upon their tables. But this advantage must not be over-rated; there are other utilities of a much higher order. The window-glass, that keeps out the inclemency of the weather, is of much more importance to our comfort, than any species of plate whatsoever; yet no one has ever thought of encouraging its import or production by special favor or exemptions.

The other utility of the precious metals is, to act as the material of money, that is to say, of that portion of the national capital, which is employed in facilitating the interchange of existing values between one individual and another. For this purpose, is it any advantage, that the material selected should be abundant and cheap? Is a nation, that is more

amply provided with that material, richer than one which is more scantily supplied ?

I must here take leave to anticipate a position, established in chap. 21. of this book, wherein the subject of money is considered: *viz.* that the total business of national exchange and circulation requires a given quantity of the commodity, money, of some amount or other. There is in France a daily sale of so much wheat, cattle, fuel, property moveable and immoveable, which sale requires the daily intervention of a given value in the form of money, because every commodity is first converted into money, as a step towards its further conversion into other objects of desire. Now, whatever be the relative abundance or scarcity of the article money, since a given *quantum* is requisite for the business of circulation, the money must of course advance in value, as it declines in quantity, and decline in value, as it advances in quantity. Suppose the money of France to amount now to 3000 millions of *francs*, and that by some event, no matter what, it be reduced to 1500 millions; the 1500 millions will be quite as valuable as the 3000 millions. The demands of circulation require the agency of an actual value of 3000 millions; that is to say, a value equivalent to 2000 millions of pounds of sugar, (taking sugar at 30 *sous* per lb.) or to 180 millions of *hectolitres* of wheat (taking wheat at 20 *fr.* the *hectolitre*). Whatever be the weight or bulk of the material, whereof it is made, the total value of the national money will still remain at

that point; though, in the latter case, that material will be twice as valuable as in the former. An ounce of silver will buy eight instead of four lbs. of sugar, and so of all other commodities; and the 1500 millions of coin will be equivalent to the former 3000. But the nation will be neither richer nor poorer than before. A man, who goes to market with a less quantity of coin, will be able to buy with it the same quantity of commodities. A nation that has chosen gold for the material of its money, is equally rich with one that has made choice of silver, though the volume of its money be much less. Should silver become fifteen times as scarce as at present, that is to say, as scarce as gold now is, an ounce of silver would perform the same functions, in the character of money, as an ounce of gold now does; and we should be equally rich in money. Or, should it fall to a par with copper, we should not be a jot the richer in the article of money; we should merely be encumbered with a more bulky medium of circulation.

On the score, then, of the other utilities of the precious metals, and on that score only, their abundance makes a nation richer, because it extends the sphere of those utilities, and diffuses their use. In the character of money, that abundance no wise contributes to national enrichment;*

* It is a necessary inference from these positions, that a nation gains in wealth by the partial export of its specie, because the residue is of equal value to the total previous amount, and the nation receives an equivalent for the portion exported. How is this to be accounted for? By the peculiar

But the habits of the vulgar lead them to pronounce an individual, rich, in proportion to the quantity of money he is possessed of; and this notion has been extended to national wealth, which is made up of the aggregate of that of individual's wealth. Wealth, however, as before observed, consists, not in the matter or substance, but in the value of that matter or substance. A money of large, is worth no more than a money of small volume; neither is a money of small, of less value, than one of large volume. Value, in the form of commodities, is equivalent to value to the same amount in the form of money.

It may be asked, why, then, is money so gene-

liar property of money to exhibit its utility in the exercise, not of its physical or material qualities, but of its value alone. A less quantity of bread will less satisfy the cravings of hunger; but a less quantity of money may possess an equal amount of utility; for its value augments with the diminution of its volume, and its value is the sole ground of its employment.

Whence it is evident, that governments should shape their course in the opposite direction to that pursued at present, and encourage, instead of discouraging, the export of specie. And so they assuredly will, when they shall understand their business better; or rather, they will attempt neither the one nor the other; for it is impossible, that any considerable portion of the national specie can leave the country, without raising the value of the residue. And, when it is raised, less of it is given in exchange for commodities, which are then low in price, so as to make it advantageous again to import specie and export commodities; by which action and re-action the quantity of the precious metals is, in spite of all regulations, kept pretty nearly at the amount required by the wants of the nation.

rally preferred to commodities, when the value on both sides is equal? This requires a little explanation. When I come to treat of money, it will be shown, that coined metal of equal value commands a preference, because it ensures to the holder the attainment of the objects of desire by means of one exchange instead of two. He is not, like the holder of any other commodity, obliged, in the first instance, to exchange his own commodity, money, for the purpose of obtaining, by a second exchange, the object of his desire; one act of exchange suffices: and this it is, combined with the extreme facility of apportionment, afforded by graduated denominations of the coin, which renders it so useful in exchanges of value. Every individual, who has an exchange to make, becomes a consumer of the commodity, money; that is to say, every individual in the community; which accounts for the universal preference of money to commodities at large, where the value is equal.

But this superiority of money, in the interchange between individuals, does not extend to that between nation and nation. In the latter, money, and, *a fortiori*, bullion, lose all the advantage of their peculiar character as money, and are dealt with as mere commodities. The merchant, who has remittances to make from abroad, looks at nothing but the gain to be made on those remittances, and treats the precious metals as a commodity he can dispose of with more or less benefit. In his eyes, an exchange more or less is no object;

for it is his business to negotiate exchanges, so as to get a profit upon them. An ordinary person might prefer to receive money instead of goods, because it is an article, whose value he is better acquainted with : but a merchant, who is apprised of the prices current in most of the markets of the world, knows how to appreciate the value he receives in return, whatever shape it may appear under.

An individual may be under the necessity of liquidating, for the purpose of giving a new direction to his capital, or of partition, or the like. A nation is never obliged to do so. This liquidation is effected with the circulating money of the nation, which it occupies only for the time : the same money going almost immediately to operate another act of liquidation or of exchange.

We have seen above (Chap. 15.) that the abundance of specie is not even necessary for the national facilitation of exchanges and sales ; for that buyers really buy with products, — each with his respective portion of the products he has concurred in creating : that with this he buys money, which serves but to buy some further product ; and that, in this operation, money affords but a temporary convenience ; like the vehicles employed to convey to market the produce of a farm, and to bring back the articles that have been purchased with the produce. Whatever amount of money may have been employed in the purchase or liquidation, it has passed for as much as it was taken for : and, at the close of the transaction,

the individual is neither richer nor poorer. The loss or profit arises out of the nature of the transaction itself, and has no reference to the medium employed in the course of it.

In no one way do the causes, that influence individual preference of money to commodities, operate upon international commerce. When the nation has a smaller stock than its necessities require, its value within the nation is raised, and foreign and native merchants are equally interested in the importation of more: when it is redundant, its relative value to commodities at large is reduced, and it becomes advantageous to export to that spot, where its command of commodities may be greater than at home. To retain it by compulsory measures, is to force individuals to keep what is a burthen to them. *

And here I might, perhaps, now dismiss the

* No one but an entire stranger to these matters would here be inclined to object, that money can never be burthensome, and is always disposed of easily enough. So it may be, indeed, by such as are content to throw its value away altogether, or at least, to make a disadvantageous exchange. A confectioner may give away his sugar-plums or eat them himself; but in that case, he loses the value of them. It should be observed, that the abundance of specie is compatible with national misery; for the money, that goes to buy bread, must have been bought itself with other products. And, when production has to contend with adverse circumstances, individuals are in great distress for money, not because that article is scarce, which oftentimes it is not, but because the creation of the products, wherewith it is procurable, cannot be effected with advantage.

subject of the balance of trade : but such is the prevailing ignorance on this topic, and so novel are the views I have been taking, even to persons of the better class, to writers and statesmen of the purest intentions and well-informed on other points, that it may be worth while to put the reader on his guard against some fallacies, which are often set up in opposition to liberal principles, and are unfortunately the ground-work of the polity of most of the European states. I shall uniformly reduce the objections to the simplest terms possible, that their weight may be the more easily estimated.

It is said, that, by increasing the currency through the means of a favorable balance of trade, the total capital of a nation is augmented ; and, on the contrary, by diminishing it, that capital is reduced. But it must be always kept in mind, that capital consists, not of so much silver or gold, but of the values devoted to reproductive consumption, which values necessarily assume an infinite variety of successive forms. When it is intended to vest a given capital in any concern, or to place it out at interest, the first step is undoubtedly to realise to that amount, by converting into ready money the different values one has at command. The value of the capital, thus assuming the transient form of money, is quickly transmuted by one exchange after another into buildings, works, and perishable substances requisite for the projected adventure. The ready money employed for the occasion passes again into

other hands, for the purpose of facilitating fresh exchanges, as soon as it has accomplished its momentary duty ; in like manner as do many other substances, the shape of which this capital successively assumes. So that the value of capital is neither lost nor impaired by parting with its value, whatever material shape it happens to be under, provided that we part with it in a way that ensures its renovation.

Suppose a French dealer in foreign commodities to consign to a foreign country a capital of 100,000*fr.* in specie for the purchase of cotton ; when his cotton arrives, he possesses 100,000*fr.* value in cotton instead of specie, putting his profit out of the question for the moment. Has any body lost this amount of specie ? Certainly not : the adventurer has come honestly by it. A cotton manufacturer gives cash for the cargo ; Is he the loser of the price ? No, surely : on the contrary, the article in his hands will increase to twice its value, so as to leave him a profit, after repaying all his advances. If no individual capitalist has lost the 100,000*fr.*, exported, how can the nation have lost them ? The loss will fall on the consumer, they will tell you : in fact, all the cotton goods bought and consumed will be so much positive loss ; but the same consumers might have consumed linens or woollens of exactly the same value without a *centime* of the 100,000*fr.* being sent out of the country, and yet there would equally be a loss or consumption to that amount of value. The loss of value we are now speaking

of is not occasioned by the export, but by the consumption, which might have taken place without any export whatever. I may, therefore, say, with strict attention to truth, that the export of the specie has caused no loss at all to the nation. *

It has been urged, with much confidence, that, had the export of 100,000 *fr.* never been made, France would remain in possession of that additional value; in fact, that the nation has lost

* A merchant's ledger for two successive years may show him richer at the end of the second, than at the end of the first, although possessed of a smaller amount of specie. Suppose the first year's amount to stand thus : —

				<i>Francs.</i>
Ground and buildings	-	-	-	40,000
Machinery and moveables	-	-	-	20,000
Stock in hand	-	-	-	15,000
Balance of good credits	-	-	-	5,000
Cash	-	-	-	20,000
			Total	100,000

And the second year's thus :—

Ground and buildings	-	-	-	40,000
Machinery and moveables	-	-	-	25,000
Stock in hand	-	-	-	30,000
Balance of good credits	-	-	-	10,000
Cash	-	-	-	5,000
			Total	110,000

Exhibiting an increase of 10,000 *fr.*, although his cash be reduced to one quarter of the former amount.

A similar account, differing only in the ratios of the different items, might be made out for the whole of the individuals in the community, who would then be evidently richer, though possessed of much less specie or cash.

the amount twice over ; first, by the act of export ; secondly, by that of consumption : whereas, the consumption of an indigenous product would have entailed a single loss only. But I answer as before, that the export of specie has occasioned no loss ; that it was balanced by equivalent value imported ; and that it is so certain, that nothing more has been lost, than the 100,000 *fr.* worth of imported commodities, that I defy any one to point any other losers than the consumers of those commodities. If there have been no loser, it is clear there can have been no loss.

Would you put a stop to the emigration of capital ? It is not to be prevented by keeping specie in the country. A man resolved to transfer his capital elsewhere can do it just as effectually by the consignment of goods, whose export is permitted.* So much the better we may be told ; for our manufacturers will benefit by the exports. True ; but their value exists no longer in the nation, since they bring back no return wherewith to make new purchases : there has been a transfer of so much capital from amongst you, to give activity, not to your own, but to some other nation's industry. This is a real ground of apprehension. Capital naturally flows to those places, that hold out security and lucrative employment, and gra-

* The transfer of capital by bills on foreign countries, comes precisely to the same thing. It is a mere substitute in place of the individual making the export of commodities, who transfers his right to receive their proceeds, the value of which remains abroad.

dually retires from countries offering no such advantages : but it may easily enough retire, without being ever converted into specie.

If the export of specie causes no diminution of national capital, provided it be followed by a corresponding return, on the other hand, its import brings no accession of capital. For, in reality, before specie can be imported, it must have been purchased by an equivalent value exported for that purpose.

On this point it has been alleged, that, by sending abroad goods instead of specie, a demand is created for goods, and the producers enabled to make a profit upon their production. I answer, that, even when specie is sent abroad, that specie must have been first obtained by the export of some indigenous product ; for we may rest assured, that the foreign owner of it did not give it to the French importer for nothing ; and France had nothing to offer in the first instance but her domestic products. If the supply of the precious metals in the country be more than sufficient for the wants of the country, it is a fitter object of export than another commodity ; and, if more of the specie be exported than the excess of the supply above the demand for the purposes of circulation, we may calculate with certainty, that, since the value of specie must have been necessarily raised by the exportation, other specie will be imported to replace what has been withdrawn ; for the purchase of which last, home products must have been sent

abroad, which will have yielded a profit to the home producers. In a word, every value sent out of France, for the purchase of foreign returns for the French market, may be resolved into a product of domestic industry, given either first or last, for France has nothing else to procure them with.

Again, it has been argued, that it is better to export consumable articles, as for instance, manufactures, and to keep at home those products not liable to consumption, or, at least, not to quick consumption, such as specie. Yet objects of quick consumption, if more in demand, are more profitable to keep than objects of slower consumption. It would often be doing a producer a very poor service, to make him substitute a quantity of commodities of slow consumption for an equal portion of his capital of more rapid consumption. If an iron-master were to contract for the delivery to him of a quantity of coal at a day certain, and when the day came the coal should not be procurable, and he should be offered the value in money in its stead, it would be somewhat difficult to convince him of the service done him by the delivery of money; which is an object of much slower consumption than the coal he contracted for. Should a dyer send an order for dyeing woods from abroad, it would be a positive injury to send him gold, on the plea, that, with equal value, it has the advantage of greater durability. He had no occasion for a durable article whatever; what

he wanted was a substance, which, though decomposed in his vats, would quickly re-appear in the colors of his stuffs. *

If it were no advantage to import any but the most durable items of productive capital, there are other very durable objects, such as stone or iron, that ought to share in our partiality with silver and gold. But the point of real importance is, the durability, not of any particular substance, but of the value of capital. Now the value of capital is perpetuated, notwithstanding the repeated change of the material shape in which it is vested. Nay, it cannot yield either interest or profit, unless that shape be continually varied. To confine it to the single shape of money would be to condemn it to remain unproductive. (*b*)

But I will go a step further, and, having shown that there is no advantage in importing gold and silver more than any other article of merchandise, I will assert, that, supposing it were desirable to have the balance of trade always in our favor, yet it is morally impossible it should be so.

* In Book III., which treats of consumption, it will be seen, that the slower kinds of unproductive consumption are preferable to the more rapid ones. But, in the reproductive branch, the more rapid are the better; because, the more quickly the reproduction is effected, the less charge of interest is incurred, and the oftener the same capital can repeat its productive agency. The rapidity of consumption, moreover, does not affect external products in particular; its disadvantages are equal, whether the product be of home or foreign growth.

(*b*) Not exactly so, but productive of the immaterial benefit, facility of transfer, which is the sole product of money. T.

Gold and silver are like all the other substances that, united, compose national wealth; they are useful to the community no longer, than while they do not exceed the national demand for them. Any such excess must make the sellers more numerous than the bidders; consequently, must depress the price in proportion, and thus create a powerful inducement to buy in the home market, in the expectation of making a profit upon the export. This may be illustrated by an example.

Suppose for a moment the internal traffic and national wealth of a given country to be such, as to require the constant employ of a thousand carriages of different kinds. Suppose too, that, by some peculiar system of commerce, we should succeed in getting more carriages annually imported, than were annually destroyed by wear and tear; so that, at the year's end, there should be 1500 instead of 1000; is it not obvious, that there would be in that case 500 lying by in the repositories quite useless, and that the owners of them, rather than suffer their value to lie dormant, would undersell each other, and even smuggle them abroad if it were practicable, in the hope of turning them to better account? In vain would the government conclude commercial treaties for the encouragement of their import: in vain would it expend its efforts in stimulating the export of other commodities, for the purpose of getting returns in the shape of carriages; the more the public authorities favored the import, the more anxious would individuals be to export.

As it is with carriages, so is it with specie likewise. The demand is limited: it can form but a part of the aggregate wealth of the nation. That wealth cannot possibly consist entirely of specie, for other things are requisite besides specie. The extent of the demand for that peculiar article is proportionate to the general wealth; in the same manner, as a greater number of carriages is wanted in a rich than in a poor country. Whatever brilliant or solid qualities the precious metals may possess, their value depends upon the use made of them, and that use is limited. Like carriages, they have a value peculiar to them; a value that diminishes in proportion to the increase of their relative plenty, in comparison with the objects of exchange, and increases in proportion to their relative scarcity.

One is told, that every thing may be procured with gold or silver. True; but upon what terms? The terms are less advantageous, when these metals are forcibly multiplied beyond the demand: hence their strong tendency to emigration under such circumstances. The export of silver from Spain was prohibited; yet Spain supplied all Europe with it. In 1812, the paper money of England having rendered superfluous all the gold money of that country, and made that metal too abundant for its other and remaining uses, its relative value fell, and her guineas emigrated to France, in spite of the ease with which the coasts of an island may be guarded, and of the de-

nunciation of capital punishment against the exporters.

To what good purpose, then, do governments labour to turn the balance of commerce in favor of their respective nations? To none whatever; unless, perhaps, to exhibit the show of financial advantages, unsupported by fact or experience.* How can maxims so clear, so agreeable to plain common sense, and to facts attested by all who have made commerce their study, have yet been rejected in practice by all the ruling powers of Europe†, nay, even have been attacked by a num-

* The returns of British commerce, from the commencement of the 18th century down to the establishment of the existing paper money of that nation, show a regular annual excess, more or less, received by Great Britain in the shape of specie, amounting altogether to the enormous total of 347 millions sterling (more than 6000 millions of *francs*). If to this be added the specie already in Great Britain at the outset, England ought to have possessed a circulating medium of very near 400 millions sterling. How happens it then, that the most exaggerated ministerial calculations have never given a larger total of specie than 47 millions, even at the period of its greatest abundance? *Vide supra*, Chap. 3.

† All of them have acted under the conviction, 1. That the precious metals are the only desirable kind of wealth, whereas they perform but a secondary part in its production: 2. That they have it in their power to cause their regular influx by compulsory measures. The example of England (*Vide note preceding*), will show the little success of the experiment. The pre-eminent wealth of that nation, then, is derived from some other cause than the favorable balance of her commerce. But what other cause? Why, from the immensity of her production. But to what does she owe that immen-

ber of writers, that have evinced both genius and information on other subjects? To speak the truth, it is because the first principles of political economy are as yet but little known; because ingenious systems and reasonings have been built upon hollow foundations, and taken advantage of, on the one hand, by interested rulers, who employ prohibition as a weapon of offence or an instrument of revenue; and, on the other, by the personal avarice of merchants and manufacturers, who have a private interest in exclusive measures, and take but little pains to enquire, whether their profits arise from actual production, or from a simultaneous loss thrown upon other classes of the community.

A determination to maintain a favorable balance of trade, that is to say, to export goods and receive returns of specie, is, in fact, a determination to have no foreign trade at all; for the nation, with whom the trade is to be carried on, can only give in exchange what it has to give. If one party will receive nothing but the precious metals, the other party may come to a similar resolution; and, when both parties require the same commodity, there is no possibility of any exchange. Were it practicable to monopolize the precious metals,

immensity? To the frugality exerted in the accumulation of individual capital; to the national turn for industry and practical application; to the security of person and property, the facility of internal circulation, and freedom of individual agency, which, limited and fettered as it is, is yet, on the whole, superior to that of the other European states.

there are few nations in the world that would not be cut off from all hope of mutual commercial relations. If one country afford to another what the latter wants in exchange, what more would she have? or in what respect would gold be preferable? for what else can it be wanted, than as the means of subsequently purchasing the objects of desire?

The day will come, sooner or later, when people will wonder at the necessity of taking all this trouble to expose the folly of a system, so childish and absurd, and yet so often enforced at the point of the bayonet. (c)

END OF THE DIGRESSION UPON THE BALANCE OF TRADE.

To resume our subject.—We have seen, that the very advantages, aimed at by the means of a favorable balance of trade, are altogether illusory;

(c) To the English reader, great part of this elaborate digression will probably appear superfluous. For so rapid has been the progress of political economy, and so wide the diffusion of its principles of late years in that country, that her exclusive system seems to be upheld merely by the obstinacy of an administration, incapable of emancipating itself from the trammels of practical habits and opinions, in which it has been trained. All thinking men have long since reprobated its continuance; and even those, who are commonly the last to listen

and that, supposing them real, it is impossible for a nation permanently to enjoy them. It remains

listen to theoretical reasoning, merchants and manufacturers themselves, have joined in remonstrance and supplication, though hitherto without success. The petition of the merchants of London, and the report of the select committee of Birmingham, are documents, not inferior in the soundness of theoretical views to the most approved works in the science.

Upon the foreign reader, however, for whom our author designed his valuable lessons, the pains he has bestowed in detecting the fallacies of the mercantile system, will probably not be thrown away. Yet, with all the attention, which the repeated revisal and alteration of four editions have shown him to have directed to this point, there are still some inaccuracies that deserve to be noted. There are two considerable advantages in the relative abundance and cheapness of money, and of its metallic material, which seem to have entirely escaped his acuteness; the one contingent, the other universally attendant upon this progressive advance. 1. A debtor nation has an obvious interest in that abundance and cheapness, because they necessarily diminish the real pressure of the national incumbrances, and render the nation and its government more competent to discharge them; and *vice versâ*. 2. The productive classes have, in all cases, an interest in the gradual decline of the relative value of money and its material, because it gradually diminishes the real amount of the rent of the land, and of the principal as well as the interest of the capital they employ in the business of production, and thus enlarges their own recompence, to the prejudice of the inactive proprietors. This advantage is indeed too apparent to be permanent. All new capital embarked will be estimated in the depreciated money, and all rents subsequently adjusted will have reference to the ratio of depreciation. But the productive classes will necessarily gain upon all capital previously embarked, as well as upon all rent previously adjusted. This is the reason why production is always stimulated by the gradual advance of money prices,

to be shown, what is the actual operation of regulations framed with this object in view ?

By the absolute exclusion of specific manufactures of foreign fabric, a government establishes a monopoly in favor of the home producers of these articles, and in prejudice of the home consumers ; that is to say, those classes of the nation which produce them, being entitled to their exclusive sale, can raise their prices above the natural rate ; while the home consumers, being unable

prices, or decline of the value of money and its material, which is the same thing. An opposite cause will produce opposite effects, and the decline of money prices, or advance of the value of money and its material, cannot fail to prove proportionally calamitous to the productive classes. Witness the present condition of the British producers. But this two-fold benefit will by no means justify a government in its attempts to promote the growing abundance and cheapness of specie, by forcible or restrictive measures ; and that for two reasons : 1. Because the mischief and discouragement to production, arising out of such measures, more than counterbalance this two-fold advantage ; to say nothing of the charge of carrying them into effect : 2. Because such measures never can succeed in effecting the avowed purpose, for the reasons above stated by our author with so much force and perspicuity. A government is, however, justified in taking any but forcible or restrictive measures, with a view to obtain this two-fold benefit for the nation — as, by promoting the discovery of mines, the advance of metallurgic skill, the use of a substitute for metal, &c. &c. And there is no injustice in so doing towards the inactive proprietor, who has made his estimation in metal, with a fore-knowledge of its fluctuating value, and selected it in preference, only because it was less fluctuating than most other commodities. T.

to purchase elsewhere, are compelled to pay for them unnaturally dear.* If the articles be not wholly prohibited, but merely saddled with an import duty, the home producer can then increase their price by the whole amount of the duty, and the consumer will have to pay the difference. For example, if an import duty of 1 *fr.* per dozen be

* Ricardo, in his *Essay on the Principles of Political Economy and Taxation*, published in 1817, has justly remarked on this passage, that a government cannot, by prohibition, elevate a product beyond its natural rate of price: for, in that case, the home producers would betake themselves in greater numbers to its production, and, by competition, reduce the profits upon it to the general level. To make myself better understood, I must therefore explain, that, by natural rate of price, I mean the lowest rate at which a commodity is procurable, whether by commerce or other branch of industry. If commercial, can procure it cheaper than manufacturing industry, and the government take upon itself to compel its production by the way of manufacture, it then imposes upon the nation a more chargeable mode of procurement. Thus, it wrongs the consumer, without giving to the domestic producer a profit, equivalent to the extra charge upon the consumer; for competition soon brings that profit down to the ordinary level of profit, and the monopoly is thereby rendered nugatory. So that, although Ricardo is thus far correct in his criticism, he only shews the measure I am reprobating to be the more mischievous; inasmuch as it augments the natural (*d*) difficulties in the way of the satisfaction of human wants, without any counteracting benefit to any class or any individual whatever.

(*d*) It creates an *artificial* difficulty: human agency is incompetent to create or enlarge a natural one. *Vide suprâ*, Chap. 1. *in notis*. T.

laid upon earthenware plates worth 3 *fr.* per dozen, the importer, whatever country he may belong to, must charge the consumer 4 *fr.*; and the home manufacturer of that commodity is enabled to ask 4 *fr.* per dozen of his customers for plates of the same quality; which he could not do without the intervention of the duty; because the consumer could get the same article for 3 *fr.*: thus, a premium to the whole extent of the duty is given to the home manufacturer out of the consumer's pocket.

Should any one maintain, that the advantage of producing at home counterbalances the hardship of paying dearer for almost every article; that our own capital and labour are engaged in the production, and the profits pocketed by our own fellow citizens; my answer is, that the foreign commodities we might import are not to be had gratis; that we must purchase them with values of home production, which would have given equal employment to our industry and capital: for we must never lose sight of this maxim, that products are always bought ultimately with products. It is most for our advantage to employ our productive powers, not in those branches in which foreigners excel us, but in those, which we excel in ourselves; and with the product to purchase of others. The opposite course would be just as absurd, as if a man should wish to make his own coats and shoes. What would the world say, if, at the door of every house an import duty were laid upon coats and shoes, for the laudable

purpose of compelling the inmates to make them for themselves? Would not people say with justice, let us follow each his own pursuits, and buy what we want with what we produce, or, which comes to the same thing, with what we get for our products. The system would be precisely the same, only carried to a ridiculous extreme.

Well may it be a matter of wonder, that every nation should manifest such anxiety to obtain prohibitory regulations, if it be true that it can profit nothing by them; and lead one to suppose the two cases not parallel, because we do not find individual householders solicitous to obtain the same privilege. But the sole difference is this, that individuals are independent and consistent beings, actuated by no contrariety of will, and more interested in their character of consumers of coats and shoes to buy them cheap, than as manufacturers to sell unnaturally dear. (e)

Who, then, are the classes of the community so importunate for prohibitions or heavy import duties? The producers of the particular com-

(e) This is not happily expressed. Individuals are actuated by the desire of an object, and seek to gratify that desire with the smallest personal exertion. The principle of indolence, the *vis inertiae*, which *Sismondi*, and after him, *Malthus*, have strangely supposed to prevail with the consumers, does really influence the producers, and lead them to leave to the industry of others the gratification of those desires, which it would cost them a greater degree of personal exertion to satisfy by the immediate means of their own. T.

modity, that applies for protection from competition, not the consumers of that commodity. The public interest is their plea ; but self-interest is evidently their object. Well, but, say these gentry, are they not the same thing? are not our gains national gains? By no means : whatever profit is acquired in this manner, is so much taken out of the pockets of a neighbour and fellow-citizen : and, if the excess of charge thrown upon consumers by the monopoly could be correctly computed, it would be found, that the loss of the consumer exceeds the gain of the monopolist. Here, then, individual and public interest are in direct opposition to each other ; and, since public interest is understood by the enlightened few alone, is it at all surprising, that the prohibitive system should find so many partizans and so few opponents?

There is in general far too little attention paid to the serious mischief of raising prices upon the consumers. The evil is not apparent to cursory observation, because it operates piecemeal, and is felt in a very slight degree on every purchase or act of consumption : but it is really most serious, on account of its constant recurrence and universal pressure. The whole fortune of every consumer is affected by every fluctuation of price in the articles of his consumption ; the cheaper they are, the richer he is, and *vice versâ*. If a single article rise in price, he is so much the poorer in respect of that article ; if all rise together, he is poorer in respect to the whole. And,

since the whole nation is comprehended in the class of consumers, the whole nation must in that case be the poorer. Besides which, it is crippled in the extension of the variety of its enjoyments, and prevented from obtaining products whereof it stands in need, in exchange for those wherewith it might procure them. It is of no use to assert, that, when prices are raised, what one gains another loses. For the position is not true, except in the case of monopolies; nor even to the full extent with regard to them; for the monopolist never profits to the full amount of the loss to the consumers. If the rise be occasioned by taxation or import-duty under any shape whatever, the producer gains nothing by the increase of price, but just the reverse, as we shall see by-and-bye (Book iii. Chap. 7.): so that, in fact, he is no richer in his capacity of producer, though poorer in his quality of consumer. This is one of the most effective causes of national impoverishment, or at least one of the most powerful checks to the progress of national wealth.

For this reason, it may be perceived, that it is an absurd distinction to view with more jealousy the import of foreign objects of barren consumption, than that of raw materials for home manufacture. Whether the products consumed be of domestic or of foreign growth, a portion of wealth is destroyed in the act of consumption, and a proportionate inroad made into the wealth of the community. But that inroad is the result of the act of consumption, not of the act of dealing with

the foreigner; and the resulting stimulus to national production, is the same in either case. For, wherewith was the purchase of the foreign product made? either with a domestic product, or with money, which must itself have been procured with a domestic product. In buying of a foreigner, the nation really does no more, than send abroad a domestic product in lieu of consuming it at home, and consume in its place the foreign product received in exchange. The individual consumer himself, probably, does not conduct this operation; commerce conducts it for him. No one country can buy of another, except with its own domestic products.

In defence of import-duties it is often urged, 'that, when the interest of money is lower abroad than at home, the foreign has an advantage over the home producer, which must be met by a countervailing duty.' The low rate of interest is, to the foreign producer, an advantage, analogous to that of the superior quality of his land. It tends to cheapen the products he raises; and it is reasonable enough that our domestic consumers should take the benefit of that cheapness. The same motive will operate here, that leads us rather to import sugar and indigo from tropical climates, than to raise them in our own.

'But capital is necessary in every branch of production: so that the foreigner, who can procure it at a lower rate of interest, has the same advantage in respect to every product; and, if the free importation be permitted, he will have an

advantage over all classes of home-producers.' Tell me, then, how his products are to be paid for. 'Why in specie, and there lies the mischief.' And how is the specie to be got to pay for them? 'All the nation has, will go in that way; and when it is exhausted, national misery will be complete.' So then, it is admitted, that, before arriving at this extremity, the constant efflux of specie will gradually render it more scarce at home, and more abundant abroad; wherefore, it will gradually rise 1, 2, 3, per cent. higher in value at home than abroad; which is fully sufficient to turn the tide, and make specie flow inwards faster than it flowed outwards. But it will not do so without some returns; and of what can the returns be made, but of products of the land, or the commerce of the nation? For there is no possible means of purchasing from foreign nations, otherwise than with the products of the national land and commerce; and it is better to buy of them what they can produce cheaper than ourselves, because we may rest assured, that they must take in payment what we can produce cheaper than they. This they must do, else there must be an end of all interchange.

Again, it is affirmed, and what absurd positions have not been advanced to involve these questions in obscurity? that, since almost all the nation are at the same time consumers and producers, they gain by prohibition and monopoly as much in the one capacity as they lose in the other; that the producer, who gets a monopoly-profit upon the

object of his own production, is, on the other hand, the sufferer by a similar profit upon the objects of his consumption; and thus that the nation is made up of rogues and fools, who are a match for each other. It is worth remarking, that every body thinks himself more rogue than fool; for, although all are consumers as well as producers, the enormous profits made upon a single article are much more striking, than reiterated minute losses upon the numberless items of consumption. If an import duty be laid upon calicoes, the additional annual charge to each person of moderate fortune, may, perhaps, not exceed 12 or 15 *fr.* at most; and probably he does not very well comprehend the nature of the loss, or feel it much, though repeated in some degree or other upon every thing he consumes; whereas, possibly, this consumer is himself a manufacturer, say a hat-maker; and, should a duty be laid upon the import of foreign hats, he will immediately see that it will raise the price of his own hats, and probably increase his annual profits by many thousand *francs*. It is this delusion, that makes private interest so warm an advocate for prohibitory measures, even where the whole community loses more by them as consumers, than it gains as producers.

But, even in this point of view, the exclusive system is pregnant with injustice. It is impossible that every class of production should profit by the exclusive system, supposing it to be universal, which, in point of fact, it never is in practice,

though possibly it may be in law or intention. Some articles can never, from the nature of things, be derived from abroad; fresh fish, for instance, or horned cattle; as to them, therefore, import duties would be inoperative in raising the price. The same may be said of masons and carpenters' work, and of the numberless callings necessarily carried on within the community; as those of shopmen, clerks, carriers, retail dealers, and many others. The producers of immaterial products, public functionaries and fundholders, lie under the same disability. These classes can none of them be invested with a monopoly by means of import duties, though they are subjected to the hardship of many monopolies granted in that way to other classes of producers. * (f)

* There is a sort of malicious satisfaction in the discovery, that those who impose these restrictions are usually among the severest sufferers. Sometimes they attempt to indemnify themselves by a further act of injustice; the public functionaries augment their own salaries, if they have the keeping of the public purse. At other times they abolish a monopoly, when they find it press peculiarly on themselves. In 1599, the manufacturers of Tours petitioned Henry IV. to prohibit the import of gold and silver silk stuffs, which had previously been entirely of foreign fabric. They cajoled the government by the statement, that they could furnish the whole consumption of France with that article. The king granted their request, with his characteristic facility; but the consumers, who were chiefly the courtiers and people of condition, were loud in their remonstrances at the consequent advance of price; and the edict was revoked in six months. *Memoires de Sully*, liv. ii.

(f) Ricardo's criticism will equally apply here. A national monopoly leaves the production of the subject of monopoly open

Besides, the profits of monopoly are not equitably divided amongst the different classes even of those that concur in the production of the commodity, which is the subject of monopoly. If the master-adventurers, whether in agriculture, manufacture, or commerce, have the consumers at their mercy, their labourers and subordinate productive agents are still more exposed to their extortion, for reasons that will be explained in Book II. So that these latter classes participate in the loss with consumers at large, but get no share of the unnatural gains of their superiors.

Prohibitory measures, besides affecting the pockets of the consumers, often subject them to severe privations. I am ashamed to say, that, within these few years, we have had the hat-makers of Marseilles petitioning for the prohibition of the import of foreign straw or chip hats, on the plea, that they injured the sale of their own felt hats *; a measure that would have deprived the country people and labourers in husbandry, who are so much exposed to the sun, of a light, cool, and

* *Bulletin de la Société d'Encouragement pour l'Industrie Nationale*, No. 4.

open to competition, and therefore cannot occasion a permanent inequality in the ratio of productive profits. Its pressure on individual consumers is equitable enough. But the whole nation is subjected to a gratuitous hardship; inasmuch as an artificial difficulty of attainment has been created by public authority, over and above the difficulties interposed by nature. *Individual* monopoly deranges even the equitable apportionment of this unprofitable incumbrance. T.

cheap covering, admirably adapted to their wants, the use of which it was highly desirable to extend and encourage.

In pursuit of what it mistakes for profound policy, or to gratify feelings it supposes to be laudable, a government will sometimes prohibit or divert the course of a particular trade, and thereby do irreparable mischief to the productive powers of the nation. When Philip II. became master of Portugal, and forbad all intercourse between his new subjects and the Dutch whom he detested, what was the consequence? The Dutch, who before resorted to Lisbon for the manufactures of India, of which they took off an immense quantity, finding this avenue closed against their industry, went straight to India for what they wanted, and, in the end, drove out the Portuguese from that quarter; and, what was meant as the deadly blow of inveterate hatred, turned out the main source of their aggrandizement. "Commerce," says Fenelon, "is like the native springs of the rock, which often cease to flow altogether, if it be attempted to alter their course." *

* The national convention of France prohibited the import of raw hides from Spain, on the plea, that they injured the trade in those of France; not observing, that the self-same hides went back to Spain in a tanned state. The tanneries of France, being obliged to procure the raw article at too dear a rate, were quickly abandoned; and the manufacture was transferred to Spain, along with great part of the capital, and many of the hands employed. It is next to impossible for a government, not only to do any good to national production by its interference, but even to help doing mischief.

Such are the principal evils of impediments thrown in the way of import, which are carried to the extreme point by absolute prohibition. There have, indeed, been instances of nations that have thriven under such a system; but then it was, because the causes of national prosperity were more powerful, than the causes of national impoverishment. Nations resemble the human frame, which contains a vital principle, that incessantly labours to repair the inroads of excess and dissipation upon its health and constitution. Nature is active in closing the wounds and healing the bruises inflicted by our own awkwardness and intemperance. In like manner, states maintain themselves, nay, often increase in prosperity, spite of the infinite injuries of every description, which friends as well as enemies heap upon them. And it is worth remarking, that the most industrious nations are those, which are the most subjected to such outrage, because none others could survive them. The cry is then, ‘our system must be the true one, for the national prosperity is advancing.’ Whereas, were we to take an enlightened view of the circumstances, that, for the last three centuries, have combined to develop the power and faculties of man; to survey with the eye of intelligence the progress of navigation, of discovery, of invention in every branch of art and science; to take account of the variety of useful animals and vegetables that have been transplanted from one hemisphere to the other, and to give a due attention to the vast enlargement and increased solidity both of science

and of its practical application, that we are daily witnesses of, we cannot resist the conviction, that our actual prosperity is nothing to what it might have been; that it is engaged in a perpetual struggle against the obstacles and impediments thrown into its way; and that, even in those parts of the world where mankind is deemed the most enlightened, a great part of their time and exertions is occupied in destroying instead of multiplying their resources, in despoiling instead of assisting each other; and all for want of correct knowledge and information respecting their real interests. *

But, to return to the subject, we have just been examining the nature of the injury, that a community suffers by difficulties thrown in the way of the introduction of foreign commodities. The mischief occasioned to the country, that produces the prohibited article, is of the same kind and description; it is prevented from turning its capital and industry to the best account. But it is not to be supposed, that the foreign nation can by this means be utterly ruined and stripped of all resource, as Napoleon seemed to imagine, when he excluded

* It is not my design to insinuate by this, that it is desirable that all minds should be imbued with all kinds of knowledge; but that every one should have just and correct ideas of that, in which he is more immediately concerned. Nor is the general and complete diffusion of information requisite for the beneficial ends of science. The good resulting from it is proportionate to the extent of its progress; and the welfare of nations differs in degree, according to the correctness of their notions upon those points, which most intimately concern them respectively.

the products of Britain from the markets of the continent. To say nothing of the impossibility of effecting a complete and actual blockade of a whole country, opposed as it must be by the universal motive of self-interest, the utmost effect of it can only be to drive its production into a different channel. A nation is always competent to the purchase and consumption of the whole of its own produce, for products are always bought with other products. Do you think to prevent England from producing value to amount of a million, by preventing her export of woollens to that amount? You are much mistaken, if you do. England will employ the same capital and the same manual labour in the preparation of ardent spirits, by the distillation of grain or other domestic products, that were before occupied in the manufacture of woollens for the French market, and she will then no longer bring her woollens to be bartered for French brandies. A country, in one way or other, direct or indirect, always consumes the values it produces, and can consume nothing more. If it cannot exchange its products with its neighbours, it is compelled to produce values of such kinds only as it can consume at home. This is the utmost effect of prohibitions; both parties are worse provided, and neither is at all the richer.

Napoleon, doubtless, occasioned much injury, both to England and to the continent, by cramping their mutual relations of commerce as far as he possibly could. But, on the other hand, he did

the continent of Europe the involuntary (*g*) service of facilitating the communication between its different parts, by the universality of dominion, which his ambition had well nigh achieved. The frontier duties between Holland, Belgium, part of Germany, Italy, and France, were demolished; and those of the other powers, with the exception of England, were far from oppressive. We may form some estimate of the benefit thence resulting to commerce, from the discontent and stagnation that have ensued upon the establishment of the present system, of lining the frontier of each state with a triple guard of *douaniers*. (*h*) All the con-

(*g*) It is rather hard measure to deal out to a fallen despot, to attribute all the mischief he has done to design, and all the good to accident; but our author, in his literary character, had received some provocation. The grand and obvious benefit of extended dominion is the extension of facility of communication over a wider surface; and a conqueror may fairly be supposed to have that object in view, if he exhibit any traces of plan or design in his operations. Napoleon will scarcely be charged with any want of system or object. T.

(*h*) This has, beyond all question, been an ample source of distress and discontent. There are two others, which have been equally injurious. 1. The advance of the real value of the continental currencies, consequent upon the simultaneous efforts of the larger states of Europe and of the American Union to revert to a metallic currency, and upon the interruption of the supplies of bullion by the revolutionary movements of Spanish America. The efficacy of this source of distress to commerce has been already hinted at, (*vide supra*, note (*c*), p. 222.), and will be set forth more at large in the chapter on money. (*Infra*, Chap. 21.) 2. By the influx of English goods, cheapened by machinery, and the refusal of England

tinental states so guarded have, indeed, preserved their former means of production: but that production has been made less advantageous.

It cannot be denied, that France has gained prodigiously by the suppression of the provincial barriers and custom-houses, consequent upon her political revolution. Europe had, in like manner, gained by the partial removal of the international barriers between its different political states; and the world at large would derive similar benefit from the demolition of those, which insulate, as it were, the various communities, into which the human race is divided.

I have omitted to mention other very serious evils of the exclusive system; as, for instance, the creation of a new class of crime, that of smuggling; whereby an action, wholly innocent in itself, is made legally criminal: and persons, who are actually labouring for the general welfare, are subjected to punishment.

Smith admits of two circumstances, that, in his opinion, will justify a government in resorting to import-duties:—1. When a particular branch of industry is necessary to the public security, and the external supply cannot be safely reckoned upon. On this account, a government may very wisely prohibit the import of gunpowder, if such prohibition be necessary to set the powder-mills at home in activity; for it is better to pay some-

to receive any thing but specie in return. This latter is but of temporary influence: its immediate effect has, however, been calamitous in the extreme. T.

what dear for so essential an article, than to run the risk of being unprovided in the hour of need.*

2. Where a similar commodity of home produce is already saddled with a duty. The foreign article, if wholly exempt from duty, would in this case have an actual privilege; so that a duty imposed has not the effect of destroying, but of restoring the natural equilibrium and relative position of the different branches of production.

Indeed, it is impossible to find any reasonable ground for exempting the production of values by the channel of external commerce from the same pressure of taxation, that weighs upon the production effected in those of agriculture and manufacture. Taxation is, doubtless, an evil, and one which should be reduced to the lowest possible degree; but, when once a given amount of taxation is admitted to be necessary, it is but common justice to lay it equally on all three branches of industry. The error I wish to expose to reprobation is, the notion, that taxes of this kind are favorable to production. A tax can never be favorable to the public welfare, except by the good use that is made of its proceeds.

These points should never be lost sight of in the framing of commercial treaties, which are really good for nothing, but to protect industry

* There is no great weight in this plea of justification. For experience has shewn, that saltpetre is stored against the moment of need, in the largest quantity, when it is most an article of habitual import. Yet the legislature of France has saddled it with duties amounting to prohibition.

and capital, diverted into improper channels by the blunders of legislation. These it would be far wiser to remedy than to perpetuate. The healthy state of industry and wealth is the state of absolute liberty, in which each interest is left to take care of itself. The only useful protection authority can afford them is, that against fraud or violence. Taxes and restrictive measures never can be a benefit; they are at the best a necessary evil; to suppose them useful to the subjects at large, is to mistake the foundation of national prosperity, and to set at naught the principles of political economy.

Import duties and prohibitions have often been resorted to as a means of retaliation: ‘Your government throws impediments in the way of the introduction of our national products: are not we, then, justified in equally impeding the introduction of yours?’ This is the favorite plea, and the basis of most commercial treaties; but people mistake their object: granting that nations have a right to do one another as much mischief as possible, which by the way I can hardly admit; I am not here disputing their rights, but discussing their interests.

Undoubtedly a nation, that excludes you from all commercial intercourse with her, does you an injury; — robs you, as far as in her lies, of the benefits of external commerce; if, therefore, by the dread of retaliation, you can induce her to abandon her exclusive measures, there is no question about the expediency of such retaliation, as a

matter of mere policy. But it must not be forgotten, that retaliation hurts yourself as well as your rival; that it operates, not defensively against her selfish measures, but offensively against yourself, in the first instance, for the purpose of indirectly attacking her. The only point in question is this, what degree of vengeance you are animated by, and how much you will consent to throw away upon its gratification.* I will not undertake to enumerate all the evils arising from treaties of commerce, or to apply the principles enforced throughout this work to all the clauses and provisions usually contained in them. I will confine myself to the remark, that almost every modern treaty of commerce has had for its basis the imaginary advantage and possibility of the liquidation of a favorable balance of trade by an import of specie. If these turn out to be chimerical, whatever advantage may have resulted from such treaties must be wholly referred to the

* The transatlantic colonies, that have, within these few years, thrown off their colonial dependence, amongst others, the provinces of La Plata, and St. Domingo or Haiti, have opened their ports to foreigners, without any demand of reciprocity, and are more rich and prosperous than they ever were under the operation of the exclusive system. We are told, that the trade and prosperity of Cuba have doubled, since its ports have been opened to the flags of all nations by a concurrence of imperious circumstances, and in violation of the system of the mother-country. The elder states of Europe go on like wrong-headed farmers, in a bigotted attachment to their old prejudices and methods, while they have examples of the good effects of an improved system all around them.

additional freedom and facility of international communication obtained by them, and not at all to their restrictive clauses or provisoes, unless either of the contracting parties have availed itself of its superior power, to exact conditions savouring of a tributary character; as England has done in relation to Portugal. (i) In such case, it is mere exaction and spoliation.

Again, I would observe, that the offer of peculiar advantages by one nation to another, in the way of a treaty of commerce, if not an act of hostility, is at least one of extreme odium in the eyes of other nations. For the concession to one can only be rendered effectual by refusal to others. Hence the germ of discord and of war with all its mischiefs. It is infinitely more simple, and I hope to have shown more profitable also, to treat all nations as friends, and impose no higher duties

(i) This noted act of diplomacy, which has been the source of infinite jealousy, savors nothing of a tributary character, but was framed on the basis of reciprocity of partial exemption from duty. It has long been regarded in England as a mere bug-bear. Indeed, since the days of Adam Smith, the exclusive measures of Great Britain have been directed, not so much to the exploded object of a favorable balance of foreign trade, and the consequent influx of specie, as to the no less absurd ends of the monopoly of the home-market, and the maintenance of an inflated scale of money price. The duties and prohibitions affecting silk are chiefly directed to the former; the partial prohibition of foreign grain to the latter. These objects are fast becoming impracticable and unwise in the opinion of their late abettors. T.

on the introduction of their products, than what are necessary to place them on the same footing as those of domestic growth.

Yet, notwithstanding all the mischiefs resulting from the exclusion of foreign products, which I have been depicting, it would be an act of unquestionable rashness abruptly to abolish it. Disease is not to be eradicated in a moment ; it requires nursing and management to dispense even national benefits. Monopolies are an abuse, but an abuse in which enormous capital is vested, and numberless industrious agents employed, which deserve to be treated with consideration ; for this mass of capital and industry cannot all at once find a more advantageous channel of national production. Perhaps the cure of all the partial distresses, that must follow the downfall of that colossal monster in politics, the exclusive system, would be as much as the talent of any single statesman could accomplish ; yet, when one considers calmly the wrongs it entails when it is established, and the distresses consequent upon its overthrow, we are insensibly led to the reflection, that, if it be so difficult to set shackled industry at liberty again, with what caution ought we not to receive any proposition for enslaving her ?

But governments have not been content with checking the import of foreign products. In the firm conviction, that national prosperity consists in selling without buying, and blind to the utter

impossibility of the thing, they have gone beyond the mere imposition of a tax or fine upon purchasing of foreigners, and have in many instances offered rewards in the shape of bounties for selling to them.

This expedient has been employed to an extraordinary degree by the British government, which has always evinced the greatest anxiety to enlarge the vents for British commercial and manufactured produce. * It is obvious, that a merchant, who

* The political circumstances of England, and her practice of supporting and subsidizing military operations on the continent, furnished her with a more plausible excuse for attempting to export, in the shape of manufactured produce, those values, which she thus expended without return. But she had no need to be at any expense for that purpose. Had England charged a seignorage upon the coinage of gold and silver, as she ought to have done, she needed not to have given herself any trouble about the form of the values she exported to meet her foreign subsidies and expenditure: guineas would themselves have been an object of manufacture. (*k*)

(*k*) So they were without the imposition of a seignorage, which, however, should have been charged. But England had no occasion to give bounties with a view to facilitate her foreign expenditure. The discount of her bills was a sufficient premium to the manufacturer; and, where that expenditure was large, greatly exceeded either drawbacks or bounties. Had specie been directly procurable, perhaps it might have saved something to the government, in the reduced profit payable to the merchants upon a mere complex operation. But the merchants must have made their profit upon bullion. The sole difference occasioned by the absurdity of gratuitous
coin-

receives a bounty upon export, can, without personal loss, afford to sell his goods in a foreign market at a lower rate than prime cost. In the pithy language of Smith, 'We cannot force foreigners to buy the goods of our own workmen, as we may our own countrymen; the next best expedient, it has been thought, therefore, is to pay them for buying.'

In fact, if a particular commodity, by the time it has reached the French market, costs the English exporter 100 *fr.*, his trouble, &c. included, and the same commodity could be bought in France at the same or a less rate, there is nothing to give him exclusive possession of the market. But, if the British government pays a bounty of 10 *fr.* upon the export, and thereby enables him to lower his demand from 100 to 90 *fr.* he may safely reckon upon a preference. Yet what is this but a free gift of 10 *fr.* from the British government to the French consumer? It may be conceived, that the merchant has no objection to this mode of dealing; for his profits are the same, as if the French consumer paid the full value, or cost price, of the commodity. The British nation is the loser in this transaction, in the ratio of 10 per cent upon the French consump-

coinage was, the expense incurred in that coinage; but the imposition of a seignorage would neither have promoted the import of bullion, nor facilitated its transport to the scene of expenditure. T.

tion ; and France remits in return a value of but 90 *fr.* for what has cost 100. *

When a bounty is paid, not at the moment of export, but at the commencement of productive creation, the home consumer participates with the foreigner in the advantage of the bounty ; for, in that case, the article can be sold below cost price in the home, as well as in the foreign market. And if, as is sometimes the case, the producer pockets the bounty, and yet keeps up the price of the commodity, the bounty is then a present of the government to the producer, over and above the ordinary profits of his industry.

When, by the means of a bounty, a product is raised either for home or foreign consumption, which would not have been raised without one, the effect is, an injurious production, one that

* The British government seems not to have perceived, that the most profitable sales to a nation are those made by one individual to another within the nation ; for these latter imply a national production of two values, the value sold and that given in exchange. (l)

(l) There is no difference of national profit whatever ; the difference lies in the quantum of national occupation or industry exerted. If the domestic industry be superfluous, there is no fear that the nation will import any thing equally capable of being produced at home. But that industry can never be prominently superfluous, unless some one or all three of the channels of industry be obstructed in some degree or other, and the production of human agents of industry be at the same time unnaturally forced ; as by a poor-law system. T.

costs more than it is worth. Suppose an article, when completely finished off, to be saleable for 24 *fr.* and no more, but its prime cost, including of course the profits of productive industry, to amount to 27 *fr.*, it is quite clear, that nobody will volunteer the production, for fear of a loss of 3 *fr.* But, if the government, with a view to encourage this branch of industry, be willing to defray this loss, in other words, if it offer a bounty of 3 *fr.* to the producer, the production can then go on, and the public revenue, that is to say, the nation at large, will be a loser of 3 *fr.* And this is precisely the kind of advantage, that a nation gains by encouraging a branch of production, which cannot support itself: it is in fact urging the prosecution of a losing concern, the produce of which is exchanged, not for other produce, but for the bounty given by the state.

Wherever there is any thing to be made by a particular employment of industry, it wants no encouragement; where there is nothing to be made, it deserves none. There is no truth in the argument, that perhaps the state may gain, though individuals cannot; for how can the state gain, except through the medium of individuals? Perhaps it may be said, that the state receives more in duties than it pays in bounties; but suppose it does, it merely receives with one hand and pays with the other: let the duties be lowered to the whole amount of the bounty, and production will stand precisely where it did before, with this difference in its favor, viz. that the state will save

the whole charge of management of the bounties, and part of that of the duties.

Though bounties are chargeable, and a dead loss to the gross national wealth, there are cases in which it is politic to incur that loss ; as when a particular product is necessary to public security, and must be had at any rate, however extravagant. Louis XIV., with a view to restore the marine of France, granted a bounty of 5*fr.* per ton upon every ship fitted out in France. His object was to train up sailors. So likewise when the bounty is the mere refunding of a duty previously exacted. The bounty paid by Great Britain upon the export of refined sugar is nothing more, than the reimbursement of the import duties upon muscovado and molasses.

Perhaps, too, it may be wise in a government to grant a premium on a particular product, which, though it make a loss in the outset, holds out a fair prospect of profit in a few years' time. Smith thinks otherwise : hear what he says on the subject. 'No regulation of commerce can increase the quantity of industry in any society, beyond what its capital can maintain. It can only divert a part of it into a direction, into which it might not otherwise have gone ; and it is by no means certain, that this artificial direction is likely to be more advantageous to the society, than that into which it would have gone of its own accord. — The statesman, who should attempt to direct private people in what manner they ought to employ their capitals, would not only load himself

with a most unnecessary attention, but assume an authority, which could safely be trusted, not only to no single person, but to no council or senate whatever; and which would no where be so dangerous, as in the hands of a man, who had folly and presumption enough to fancy himself fit to exercise it.—Though, for want of such regulations, the society should never acquire the proposed manufacture, it would not upon that account necessarily be the poorer in any one period of its duration. In every period of its duration, its whole capital and industry might still have been employed, though upon different objects, in the manner that was most advantageous at the time.*

And Smith is certainly right in the main; though there are circumstances that form exceptions to the general rule, ‘that every one is the best judge how to employ his industry and capital.’ Smith wrote at a period and in a country, where personal interest is well understood, and where any profitable mode of investing capital and industry is not likely to be long overlooked. But every nation is not so far advanced in intelligence. How many countries are there, where many of the best employments of capital are altogether excluded by prejudices, that the government alone can remove? How many cities and provinces, where certain established investments of capital have prevailed from time immemorial? In one place,

* *Wealth of Nations*, book iv. c. 2.

every body invests in landed property, in another in houses, and in others still in public offices, or national funds. Every unusual application of the power of capital is, in such places, contemplated with distrust or disdain; so that partiality shewn to a profitable mode of employing industry or capital may possibly be productive of national advantage.

Moreover, a new channel of industry may ruin an unsupported speculator, though capable of yielding enormous profit, when the labourers shall have acquired practice, and the novelty has once been overcome. France at present contains the most beautiful manufactures of silk and of woollen in the world, and is probably indebted for them to the wise encouragement of Colbert's administration. He advanced to the manufacturers 2000 *fr.* for every loom at work; and, by the way, this species of encouragement has a very peculiar advantage. In ordinary cases, whatever the government levies upon the produce of individual exertion is wholly lost to future production; but, in this instance, a part was employed in reproduction; a portion of individual revenues was thrown into the aggregate productive capital of the nation. This was a degree of wisdom one could hardly have expected, even from personal self-interest.*

* I am far from equally approving all the encouragements of this kind held out by this minister; particularly the sums lavished on several establishments of pure ostentation, which, like

It would be out of place here to enquire, how wide a field bounties open to speculation, partiality, and the whole tribe of abuses incident to the management of public affairs. The most enlightened statesman is often obliged to abandon a scheme of evident public utility, by the unavoidable defects and abuses in the execution. Among these, one of the most frequent and prominent is, the risk of paying a premium, or granting a favor to the pretensions, not of merit, but of importunity. In other respects, I have no fault to find with the honors, or even pecuniary rewards publicly given to artists or mechanics, in recompense of some extraordinary feat of genius or address. Rewards of this kind excite emulation, and enlarge the stock of general knowledge, without diverting industry or capital from their most beneficial channels. Besides, they cost nothing in comparison of bounties of another description. The bounty on the export of wheat has, by Smith's account, cost England in some years as much as seven millions of our *fr.* I do not believe that the British, or any other government, ever spent the fiftieth part of that sum upon agriculture in any one year.

like that of the Gobelin tapestry, have constantly cost more than they have produced. (*m*)

(*m*) In justice to that minister, it may be observed, that even these may have been productive of some national good, by turning the current of national pride and ingenuity towards the channel of domestic industry, and raising the agents engaged in it in the scale of social estimation. T.

SECT. II.

*Of the Effect of Regulations fixing the Manner of
Production.*

THE interference of the public authority, with regard to the details of agricultural production, has generally been of a beneficial kind. The impossibility of intermeddling in the minute and various details of agriculture, the vast number of agents it occupies, often widely separated in locality and pursuits, from the largest farming concerns to the little garden of the cottager, the small value of the produce in comparison with its volume, are so many obstacles, that nature has placed in the way of authoritative restraint and interference. All governments, that have pretended to the least regard for the public welfare, have consequently confined themselves to the granting of premiums and encouragements, and to the diffusion of knowledge, which has often contributed largely to the progress of this art. The veterinary college of Alfort, the experimental farm of Rambouillet, the introduction of the merino breed, are real benefits to the agriculture of France, the enlargement and perfection of which she owes to the providence of the different rulers, that her political troubles have successively brought into power.

A national administration, that guards with vigilance the facility of communication, and the quiet prosecution of the labours of husbandry, or punishes acts of culpable negligence, as the not destroying

of caterpillars * and other noxious insects, does a service analogous to the preservation of civil order and of property, without which production must cease altogether.

The regulations relative to the felling of trees in France, however indispensable for the preservation of their growth, at least in many of their provisions, appear in others rather to operate as a discouragement of that branch of cultivation, which, though particularly adapted to certain soils and sites, and conducive to the attraction of atmospheric moisture, yet seems to be daily on the decline.

But there is no branch of industry, that has suffered so much from the officious interference of authority in its details, as that of manufacture.

Much of that interference has been directed towards limiting the number of producers, either by confining them to one trade exclusively, or by exacting specific terms, on which they shall carry

* Under the old *régime* of the canton of Berne, every proprietor of land was required to furnish, in the proper season of the year, so many bushels of cockchafers, in proportion to the extent of his property. The rich landholders were in the habit of buying their contingents from the poorer sort of people, who made it their business to collect them, and did it so effectually, that the district was ultimately cleared of them. But the extreme difficulty, that even the most provident government meets with in doing good by its interference in the business of production, may be judged of by a fact, of which I am credibly assured; viz. that this act of paternal care gave rise to the singular fraud of transporting these insects in sacks from the Savoy side of the Leman lake into the *Pays de Vaud*.

on their business. This system gave rise to the establishment of chartered companies and incorporated trades. The effect is always the same, whatever be the means employed. An exclusive privilege, a species of monopoly, is created, which the consumer pays for, and of which the privileged persons derive all the benefit. The monopolists can prosecute their plans of self-interest with so much the more ease and concert, because they have legal meetings, and a regular organization. At such meetings, the prosperity of the corporation is mistaken for that of commerce and of the nation at large; and the last thing considered is, whether the proposed advantages be the result of actual new production, or merely a transfer from one pocket to another, from the consumers to the privileged producers. This is the true reason, why those engaged in any particular branch of trade are so anxious to have themselves made the subject of regulation; and the public authorities are commonly, on their part, very ready to indulge them in what offers so fair an opportunity of raising a revenue.

Moreover, arbitrary regulations are extremely flattering to the vanity of men in power, as giving them an air of wisdom and foresight, and confirming their authority, which seems to derive additional importance from the frequency of its exercise. There is, perhaps, at this time no country in Europe where a man is free to dispose of his industry and capital in what manner he pleases; in most places he cannot even change his occupation or

place of residence at pleasure. It is not enough for a man to have the necessary qualifications of ability and inclination to become a manufacturer or dealer in the woollen or silk line, in spirits or calicoes; he must besides have served his time, or been admitted to the freedom of the craft. * Freedoms and apprenticeships are likewise expedients of police, not of that wholesome branch of police, whose object is the maintenance of public and private security, and which is neither costly nor vexatious; but of that sort of police, which bad governments employ to preserve or extend their personal authority at any expense. By the dispensation of honorary or pecuniary advantages, authority can generally influence the chiefs and superiors it has appointed to the corporations, who think to earn these honors and emoluments by their subservience to the power that confers them. These are the ready tools for the management of the body at large, and volunteer to denounce the individuals, whose firmness may be formidable, and report those, whose servility may be reckoned upon, and all under the pretext of public good. Official harangues and public addresses are never wanting

* When industry made its first start in the middle ages, and the mercantile classes were exposed to the rapacity of a grasping and ignorant nobility, incorporated trades and crafts were useful in extending to individual industry the protection of the association at large. Their utility has ceased altogether of late years; for governments have, in our days, been either too enlightened to encroach upon the sources of financial prosperity, or too powerful to stand in awe of such associations.

in plausible reasons for the continuance of old restrictions on liberty of action, or for the establishment of new ones; for there is no cause so bad, as to be without some argument or other in its favor.

The chief advantage, and the one most relied upon, is, the insurance of a more perfect execution of the products raised for consumption, and of a superiority in them highly favorable to the national commerce, and calculated to secure the continued demand of foreigners. But does this advantage result from the system in question? what security is there that the corporate body itself will be always composed of men not merely of integrity, but of scrupulous delicacy, such as would never be disposed to take in either their own countrymen or foreigners? We are told, that this system facilitates the enforcement of regulations for the warranty and verification of the quality of products; but are not such regulations illusory in practice, even under the corporate system? and, supposing them absolutely necessary, is there no more simple way of enforcing them.

Neither will the length of apprenticeship be a better guarantee of the perfection of the work; the only thing to be depended upon for that perfection is the skill of the workman, and that is best attained by paying him in proportion to his superiority. 'To teach any young man,' says Smith, 'in the completest manner how to apply the instruments, and how to construct the machines, of the common mechanic trades, cannot well require the lessons of more than a few weeks, perhaps those of a few days might be sufficient. The dexterity of hand,

indeed, even in common trades, cannot be acquired without much practice and experience; but a young man would practice with much more diligence and attention, if from the beginning he wrought as a journeyman, being paid in proportion to the little work which he could execute, and paying in his turn for the materials which he might sometimes spoil through awkwardness and inexperience.*

Were apprentices bound out a year later, and the interval spent in schools conducted on the plan of mutual instruction, I can hardly think the products would be worse executed; and, beyond all doubt, the labouring class would be advanced a stage in civilization.

Were apprenticeships a sure means of attaining a greater perfection of products, those of Spain would be as good as those of Britain. It was not before incorporated trades and compulsory apprenticeships had been abolished in France, that she attained that superiority of execution, she has now to boast of.

Perhaps there is no one mechanic art nearly so difficult as that of the gardener or field-labourer; yet this is almost the only one that has no where been subjected to apprenticeship. Are vegetables and fruits produced in less abundance or perfection? Were cultivators a corporate body, I suppose it would soon be asserted, that high-flavoured peaches and white-heart lettuces, could not be

* *Wealth of Nations*, book i. c. 10.

raised without a code of some hundred well penned articles.

After all, regulations of this nature, even admitting their utility, must be nugatory as soon as evasion is allowed: now it is notorious, that there is no manufacturing town, where money will not purchase exemption. So that they are more than merely useless as a warranty of quality; inasmuch as they are an engine of the most odious injustice and extortion.

In support of these opinions, the advocates for the corporate system appeal to the example of Great Britain, where industry is well known to be greatly shackled, and yet manufactures prosper. But in this they expose their ignorance of the real causes of that prosperity. 'These causes,' Smith tells us, 'seem to be, the general liberty of trade, which, notwithstanding some restraints, is at least equal, perhaps superior, to what it is in any other country; the liberty of exporting, duty free, almost all sorts of goods, which are the produce of domestic industry, to almost any foreign country; and, what perhaps is of still greater importance, the unbounded liberty of transporting them from any one part of our own country to any other, without being obliged to give any account to any public office, without being liable to question or examination of any kind, &c.*' Add to these, the complete inviolability of all property whatever, either by public or private attack, the enormous

* *Wealth of Nations*, book iv. c. 7.

capital accumulated by her industry and frugality, and lastly, the habitual exercise of attention and judgment, to which her population is trained from the earliest years ; and there is no need of looking farther for the causes of the manufacturing prosperity of Britain.

Those, who cite her example in justification of their desire to enthrall the exertions of industry, are not perhaps aware, that the most thriving towns in that kingdom, those on which her character for manufacturing pre-eminence is mainly built, are the very places, where there are no incorporations of crafts and trades. Manchester, Birmingham, and Liverpool*, were mere villages a century or two ago, but now rank in point of wealth and population next to London, and much before York, Canterbury, and even Bristol, cities of the greatest antiquity and privileges, and the capitals of her most thriving provinces, but still subjected to the shackles of these Gothic institutions. ‘The town and parish of Halifax,’ says Sir John Nickols†, a writer of acknowledged local information, ‘has, within these forty years, seen the number of its inhabitants quadrupled ; whilst

* Baert., vol. i. p. 107.

† *Remarks on the Advantages and Disadvantages of France and of Great Britain*, 12mo. 1754. § 4. p. 142. (n)

(n) This work was originally published in French in 1752, with great success, under the fictitious name of Sir John Nickols, and is supposed to have been the production of a foreigner employed about the court of Versailles. It contains many judicious remarks upon the internal policy of Britain. T.

many other towns, subjected to corporations, have experienced a sensible diminution of theirs. Houses situated within the precincts of the city of London hardly find tenants, and numbers of them remain empty; whilst Westminster, Southwark, and the other suburbs, are continually increasing. These suburbs are free, whilst London supports within itself four score and twelve exclusive companies of all kinds, of which we may see the members annually adorn, with a silly pageantry, the tumultuous triumphal procession of the Lord Mayor.'

The prodigious manufacturing activity of some of the suburbs of Paris is notorious; of the Faubourg St. Antoine, in particular, where industry enjoyed many exemptions. Some products were made no where else. How happened it, that without apprenticeships, or the necessity of being free of the craft, the manufacturer acquired a greater degree of skill, than in the rest of the city, which was subject to those institutions, that are held up as so indispensable? For a very simple reason; because self-interest is the best of all instructors.

An example or two will serve better than all the reasoning in the world, to show the impediments thrown in the way of the development of industry by incorporations of trades and crafts. Argand, the inventor of the lamps, that go by his name, and yield at the same expense triple the amount of light, was dragged before the *Parlement de Paris*, by the company of tinmen, locksmiths, ironmongers, and

journeymen farriers, who claimed the exclusive right of making lamps.* *Lenoir*, the celebrated Parisian philosophical and mathematical instrument-maker, had set up a small furnace for the convenience of working the metals used in his business. The syndics of the founders' company came in person to demolish it; and he was obliged to apply to the king for protection. Thus was talent rendered dependent upon court favor. The manufacture of japanned hardware was altogether excluded from France until the era of the revolution, by the circumstance of its requiring the skill and implements of many different trades, and the necessity of being admitted to the freedom of them all, before an individual could carry it on. It would be easy to fill a volume with the recapitulation of the disheartening vexations, that personal industry had to encounter in the city of Paris alone, under the corporate system; and another with that of the successful efforts made, since that system was abolished by the revolution.

For the same reason, that the free suburb of a chartered town, or a free town in the midst of a country embarrassed by the officiousness of a meddling government, will exhibit an unusual degree

* 'Why not get himself made free of the company?' say those who are ever ready to palliate or justify official abuse. The corporation, which had the control over admissions, was itself interested in thwarting a dangerous competitor. Besides, why compel the ingenious inventor to waste in a personal canvas, that time, which would be so much more profitably occupied in his calling?

of prosperity, a nation that enjoys the freedom of industry, in the midst of others following the corporate system, would probably reap similar advantages. Those have thriven the most, that have been the least shackled by the observance of formalities; provided of course, that individuals be secure from the exactions of power, the chicanery of law, and the attempts of dishonesty or violence. Sully, whose whole life was spent in the study and practice of measures for improving the prosperity of France, entertained this opinion. * In his memoirs, he notices the multiplicity of useless laws and ordinances, as a direct barrier to the national progress. †

It may, perhaps, be alleged, that, were all occupations quite free, a large proportion of those who engaged in them would fall a sacrifice to the

* Liv. xix.

† *Colbert's* early education in the counting-house of the Messrs. *Mascrani*, of Lyons, a very considerable mercantile establishment, very early imbued him with the principles of the manufacturers. Commerce and manufacture thrived prodigiously under his powerful and judicious patronage; but, though he liberated them from abundance of oppression, he was himself hardly sparing enough of ordinances and regulations; he encouraged manufacture at the expence of agriculture, and saddled the people at large with the extraordinary profits of monopolists. We cannot shut our eyes to the fact, that to this system, acted upon ever since the days of *Colbert*, France owed the striking inequalities of private fortune, the overgrown wealth of some, and the superlative misery of others; the contrast of a few splendid establishments of industry, with a wide waste of poverty and degradation. This is no ideal picture, but one of sad reality, which the study of principles will help us to explain.

eagerness of competition. Possibly they might, in some few instances; although it is not very likely there should be a great excess of candidates in a line, that held out but little prospect of gain; yet, admitting the casual occurrence of this evil, it would be of infinitely less magnitude, than permanently keeping up the prices of produce at a rate, that must limit its consumption, and abridge the power of purchasing in the great body of consumers.

If the measures of authority, levelled against the free disposition of each man's respective talents and capital, are criminal in the eye of sound policy, it is still more difficult to justify them upon the principles of natural right. 'The patrimony of a poor man,' says the author of the *Wealth of Nations*, 'lies in the strength and dexterity of his hands; and to hinder him from employing this strength and dexterity in what manner he thinks proper, without injury to his neighbour, is a plain violation of his most sacred property.'

However, as society is possessed of a natural right to regulate the exercise of any class of industry, that without regulation might prejudice the rest of the community, physicians, surgeons, and apothecaries, are with perfect justice subjected to an examination into their professional ability. The lives of their fellow-citizens are dependent upon their skill, and a test of that skill may fairly be established; but it does not seem advisable to limit the number of practitioners nor the plan of their education. Society has no interest, further than to ascertain their qualification.

On the same grounds, regulation is useful and proper, when aimed at the prevention of fraud or contrivance, manifestly injurious to other kinds of production, or to the public safety, and not at prescribing the nature of the products and the methods of fabrication. Thus, a manufacturer must not be allowed to advertise his goods to the public as of better than their actual quality: the home consumer is entitled to the public protection against such a breach of faith; and so, indeed, is the mercantile character of the nation, which must suffer in the estimation and demand of foreign customers from such practices. And this is an exception to the general rule, that the best of all guarantees is the personal interest of the manufacturer. For, possibly, when about to give up business, he may find it answer to increase his profit by a breach of faith, and sacrifice a future object he is about to relinquish for a present benefit. A fraud of this kind ruined the French cloths in the Levant market, about the year 1783; since when the German and British have entirely supplanted them.* We may go still further. An article often derives a value from the name, or from the place, of its manufacture. When we judge from long experience, that cloths of such a denomination, and made at such a place, will be of a certain breadth and substance, it is a fraud to

* The loss of this trade has been erroneously imputed to the liberty of commerce, consequent upon the revolution. But *Felix Beaujour*, in his *Tableau du Commerce de la Grèce*, has shown, that it must be referred to an earlier period, when restrictions were still in force.

fabricate, under the same name and at the same place, a commodity of inferior substance and quality to the ordinary standard, and thus to send it into the world under a false certificate.

Hence we may form an opinion of the extent, to which government may carry its interference with benefit. The correspondence with the sample or conditions, express or implied, must be rigidly enforced, and government should meddle with production no further. I would wish to impress upon my readers, that the mere interference is itself an evil, even where it is of use* : first, because it harasses and distresses individuals ; and, secondly, because it costs money, either to the nation, if it be defrayed by government, that is to say, charged upon the public purse, or to the consumer, if it be charged upon the specific article ; in the latter case, the charge must of course enhance the price, thereby laying an additional tax upon the home consumer, and *pro tanto* discouraging the foreign demand.

If interference be an evil, a paternal government will be most sparing of its exercise. It will not trouble itself about the certification of such commodities, as the purchaser must understand better than itself ; or of such as cannot well be certified by its agents ; for, unfortunately, a government must always reckon upon the negligence, in-

* ' Every restraint, imposed by legislation upon the freedom of human action, must inevitably extinguish a portion of the energies of the community, and abridge its annual product.' *Verri. Reft. sur l'Econ. Pol. c. 12.*

capacity, and misconduct of its retainers. But some articles may well admit of certification; as gold and silver, the standard of which can only be ascertained by a complex operation of chemistry, which few purchasers know how to execute, and which, if they did, would cost them infinitely more, than it can be executed for by the government in their stead.

In Great Britain, the individual inventor of a new product or of a new process may obtain the exclusive right to it, by obtaining what is called, a patent. While the patent remains in force, the absence of competitors enables him to raise his price far above the mere ordinary return of his outlay with interest, and the wages of his own industry. Thus he receives a premium from the government, charged upon the consumers of the new article; and this premium is often very large, as may be supposed, in a country so immensely productive as Great Britain, where there are consequently abundance of affluent individuals, ever on the lookout for some new object of enjoyment. Some years ago, a man invented a spiral or worm spring for insertion between the leather braces of carriages to ease the motion, and made his fortune by the patent for so trifling an invention.

Privileges of this kind no one can reasonably object to; for they neither interfere with, nor cramp any branch of industry, previously in operation. Moreover, the expense incurred is purely voluntary; and those, who choose to incur it, are not obliged to renounce the satisfaction of any

previous wants, either of necessity or of amusement.

However, as it is the duty of every government to aim at the constant amelioration of its subjects' condition, it cannot deprive other producers to eternity of the right to employ part of their industry and capital in this particular channel, which perhaps they might sooner or later have themselves discovered, or preclude the consumer for a very long period from the advantages of a competition-price. Foreign nations, being out' of its jurisdiction, would of course grant no privilege to the inventor, and would, therefore, in this particular, during the operation of the patent, be better off than the nation where the invention originated.

France * has imitated the wise example of England, in assigning a limit to the duration of these patent rights, after which the invention is free, for all the world to avail themselves of. It is also provided, that, if the process be capable of concealment, it shall be divulged at the expiration of the term. And the patentee, who in this case, it may be supposed, could do without the patent, has this advantage; that if his secret be discovered by any body in the interim, it cannot be made available till the expiration of the term.

Nor is it at all necessary, that the government should enquire into the novelty or utility of the

* *Vide* the laws dated 7th Jan. and 25th May, 1791, and 20th Sept. 1792. Also the *arrêt* of the government, dated 5 Vendemaire, an. ix.

invention ; for, if it be useless, so much the worse for the inventor ; and, if it be already known, every body is competent to plead and prove that fact, and the previous right of the public ; so that the only sufferer is the inventor, who has been at the expense of a patent for nothing. Thus, the public is no loser by this species of encouragement, but, on the contrary, may derive prodigious advantage.

The regulations tending to direct either the object or the method of production, which have been above observed upon, by no means comprise all the measures adopted by different nations with those views. Indeed, were I to specify them all, my catalogue would soon be incomplete ; for new ones are every day brought into practice. The great point is, to lay down certain principles, that may enable us before-hand to judge of their consequences. But there are two other branches of commerce, that have been the subject of more than usual regulation, and are, therefore, worthy of more especial investigation. I shall devote the two succeeding sections to their exclusive examination.

SECT. III.

Of privileged Trading Companies.

A GOVERNMENT sometimes grants to individual merchants, and much oftener to trading companies, the exclusive privilege of buying and selling

specific articles, tobacco for example, or of trafficking with a particular country, as with India.

The privileged traders, being thus exempted from all competition by the exertion of the public authority, can raise their prices above the level, that could be maintained under the operation of a free trade. This unnatural ratio of price is sometimes fixed by the government itself, which thus assigns a limit to the partiality it exercises towards the producers, and the injustice it practises upon the consumers: otherwise, the avarice of the privileged company would be bounded only by the dread of losing more by the reduction of the gross amount of its sales, in consequence of increased prices, than it would gain by their unnatural elevation. At all events, the consumer pays for the commodity more than its worth, and government generally contrives to share in the profits of the monopoly.

It has been said, for the most ruinous expedient is sure to find some plausible argument or other to support it, that the commerce with certain nations requires precautionary measures, which privileged companies only can enforce. At one time the plea is, that forts must be built, and marine establishments kept up; as if in truth it were worth while to traffic sword in hand, or an army were necessary to protect plain dealing; or as if the state did not already maintain at great charge a military force for the protection of its subjects! At another, that diplomatic address is indispensable. The Chinese, for instance, are a people so

bigotted to form and prone to suspicion, so entirely independent of other nations, by reason of their remote position, the extent of their territory, and the peculiar character of their wants, that it is a matter of special and precarious favor to be allowed to deal with them. We must, therefore, elect either to go without their teas, silks, and nankeens, or be content to submit to precautions, which can alone ensure the continuance of the trade; for the dealings of individuals might endanger the continuance of that good humor, without which the mutual intercourse of the two nations would be at an end.

But let me ask, is it so certain that the agents of a company, who are too apt to presume upon the support of the military power, either of the nation, or at least of the company,—is it quite certain, that such agents are more likely to keep alive an amicable feeling, than private traders, in whom more deference to local institutions might be expected, and who would have an immediate interest in keeping clear of any misunderstanding, that should endanger both their persons and their property?*

* This has been exemplified in the commercial relations of the United States with China. The American traders conduct themselves at Canton with more discretion, and are regarded by the Chinese authorities with less jealousy, than the agents of the English company. The Portuguese, for upwards of a century, carried on the trade with the Eastern seas without the intervention of a company, and with greater success than any of their cotemporaries.

happen, and granting for argument's sake that the trade with China cannot be conducted otherwise than by a privileged company, does it follow, that without one we must needs give up the taste for Chinese productions? Certainly not. The trade in Chinese goods will always exist, for this plain reason, that it suits both parties, the Chinese and their customers. But shall we not pay dearer for those goods? There is no ground for thinking so. Three-fourths of the European states have never sent a single ship to China, and yet are abundantly supplied with teas, with silks, and with nankeens, and that too at a very cheap rate.

There is another argument of more general application, and still more frequently urged; viz. that a company, having the exclusive trade of any given country, is exempt from the effects of competition, and, therefore, buys at a less price. But, in the first place, it is not true that the exclusive privilege exempts from the effect of competition; the only competition it removes, is that of the national traders, which would be of the utmost benefit to the nation; but it excludes neither the competition of foreign companies, nor of foreign private traders. In the next place, there are many articles that would not rise in price in consequence of the competition, which some people affect to be alarmed at, though in truth it is a mere bug-bear. Suppose Marseilles, Bourdeaux, L'Orient, were all to fit out vessels to bring tea from China, we have no reason to believe, that all their ventures together would import more tea into France, than France

could consume or dispose of. All we have to fear is, that they should not import enough. Now, if they were to import no more than other merchants would have imported for them, the demand for tea in China will have been just the same in both cases; consequently, the commodity will not have become more scarce there. Our merchants would hardly have to pay dearer for it, unless the price should rise in China itself; and what sensible effect could the purchases of a few merchants of France have upon the price of an article, consumed in China itself, to one hundred times the amount of the whole consumption of Europe?

But, granting that European competition would operate to raise the price of some commodities in the eastern market, is that a sufficient motive for excepting the trade to that part of the world from the general rules, that are acted upon in all other branches of commerce? Are we to invest an exclusive company with the sole conduct of the import or export trade between Germany and France, for the sole purpose of getting our cottons and woollens from Germany at a cheaper rate? If the commerce of the East were put upon the same footing as foreign trade in general, the price of any one article of its produce could never long remain much above the cost price of production in Asia; for the rise of price would operate as a stimulus to increased production, and the competition of sellers would soon be on a par with that of purchasers.

But, admitting the advantage of buying cheap to

be as substantial as it is represented, the nation at large has a right to participate in that cheapness; the home consumers ought to buy cheap, as well as the company. Whereas in practice it is just the reverse, and for a very simple reason: the company is not exempt from competition as a purchaser, for other nations are its competitors: but as a seller it is exempt; for the rest of the nation can buy the articles it deals in no where else, the import by foreigners being wholly prohibited. It asks its own price, and can command the market, especially if it be attentive to keep the market always understocked, as the English call it; that is, if the supply be just so far short of the demand, as to keep alive the competition of purchasers.*

In this manner, trading companies not only extort usurious profits from the consumer, but moreover saddle him with all the fraud and mismanagement inseparable from the conduct of these unwieldy bodies, with their cumbrous organization of directors and factors without end, dispersed from one extremity of the globe to the other. The only check to the gross abuses of these privileged bodies is the smuggling or contraband trade, which, in this point of view, may lay claim to some degree of utility.

* It is well known, that, when the Dutch were in possession of the Moluccas, they were in the habit of burning part of the spices they produced, for the sake of keeping up the price in Europe.

This analysis brings us to the point in question; are the gains of the privileged company national gains? Undoubtedly not; for they are wholly taken from the pockets of the nation itself. The whole excess of value, paid by the consumer, beyond the rate at which free-trade could afford the article, is not a value produced, but so much existing value, presented by the government to the trader at the consumer's expense. It will probably be urged, that it must at least be admitted, that this profit remains and is spent at home. Granted: but by whom is it spent? that is the point. Should one member of a family possess himself of the whole family income, dress himself in fine clothes, and devour the best of every thing, what consolation would it be to the rest of the family, were he to say, what signifies it whether you or I spend the money? the income spent is the same, so it can make no difference.

The exclusive as well usurious profits of monopoly would soon glut the privileged companies with wealth, could they depend upon the good management of their concerns; but the cupidity of agents, the long pendency of distant adventures, the difficulty of bringing factors abroad to account, and the incapacity of those interested, are causes of ruin in constant activity. Long and delicate operations of commerce require superior exertion and intelligence in the parties interested. And how can such qualities be expected in shareholders amounting sometimes to several hundreds, all

of them having other matters of more personal importance to look after? *

Such are the consequences of privileges granted to trading companies: and these consequences, it must be observed, are in the nature of things inseparable; circumstances may reduce their efficacy, but can never remove them altogether. The English East India Company has met with more success than the three or four French ones, that at different times made the experiment †. This company is sovereign as well as merchant; and we know by experience, that the most detestable governments may last for several generations: witness that of the Mamelukes in Egypt.

There are some minor evils also incident to commercial privileges. The grant of exclusive rights frequently exiles from a country a branch of industry and a portion of capital, that would readily have taken root there, but are compelled to settle abroad. Towards the close of the reign of Louis XIV. the French East India Company, being unable to support itself, notwithstanding its exclusive rights, transferred the exercise of its privi-

* The answer of *La Bourdonnais* to one of the directors of the French East India Company, who asked how it was, that he had managed his own interests so much better than those of the company, will long be remembered: — “Because,” said he, “I manage my own affairs according to the dictates of my own judgment, but am obliged to follow your instructions in regard to those of the company.”

† The first French East India Company was established in the reign of Henry IV. A. D. 1604, at the instance of a Fleming of the name of *Gerard Leroi*. It met with no success.

leges to some speculators of St. Malo, in consideration of a small share in their profits. The trade began to revive under the influence of this comparative liberty, and would, on the expiration of the company's charter, in 1714, have been as active as the then melancholy condition of France would have permitted : but the company petitioned for a renewal, and obtained one, pending the ventures of some private traders. Soon afterwards, a vessel of St. Malo, commanded by a Breton of the name of Lamerville appeared upon the French coast, on its return from the East Indies, but was refused permission to enter the harbour, on the plea, that it was in contravention of the company's rights. Consequently, he was compelled to prosecute his voyage to the nearest port in Belgium, and carried his vessel into Ostend, where he disposed of the cargo. The governor of the Low Countries, hearing of the enormous profits he had made, proposed to the captain a second voyage, with a squadron to be fitted out for the express purpose ; and Lamer-ville afterwards performed many similar voyages for different employers, and laid the foundation of the Ostend Company.*

Thus, the French consumer must necessarily have suffered by this monopoly : and so, in fact, he did. But at any rate, it will be supposed, the company must have benefited. Just the contrary ; the company was itself ruined, in spite of the monopoly of tobacco, the lotteries, and other subsi-

* *Taylor's Letters on India.*

diary grants bestowed on them by the government*. "In short," says Voltaire †, "all that remained to France in the East was, the regret of having, in the course of forty years, squandered enormous sums, to bolster up a company, that never made a sixpence profit, never made any dividend from the resources of its commerce, either to its shareholders or creditors; and supported its establishments in India, solely by the underhand practice of pillage and extortion upon the natives.

The only case, in which the establishment of an exclusive company is justifiable, is, when there is no other way of commencing a new trade with distant or barbarous nations. In that case, the charter is a kind of patent of invention, and confers an advantage, commensurate to the extraordinary risk and expense of the first experiment. The consumers have no reason to complain of the dearness of products, which, but for the grant of the charter, they would either not have enjoyed at all, or have enjoyed at a still dearer rate. But such grants should, like patents, be limited to such duration only, as will repay and fully indemnify the adventurers for the advances and risk incurred. Any thing further is a mere free gift to the company, at the expense of the nation at large, who have a natural right to get what they want wherever they can, and at the lowest possible price.

* *Raynal. Hist. phil. et polit. des Establ. des Européens, dans les deux Indes*, liv. iv. § 19.

† *Siècle de Louis XV.*

What has been said in respect to commercial, is equally applicable to manufacturing privileges. The reason why governments are so easily entrapped into measures of this kind is, partly because they see a statement of large profits, and do not trouble themselves to inquire whence they are derived; and partly because this apparent profit is easily reduced to numerical calculation, no matter whether wrong or right, correct or incorrect; whereas the loss and mischief resulting to the nation are infinitely subdivided amongst the members of the community, and operate after all in a very indirect, complex, and general way, so as to escape and defy calculation. Some writers maintain arithmetic to be the only sure guide in political economy; for my part, I see so many detestable systems built upon arithmetical statements, that I am rather inclined to regard that science as the instrument of national calamity.

SECT. IV.

Of Regulations affecting the Corn-Trade.

It would seem, that the general principles, which govern the commerce of all other commodities, should be equally applicable to the commerce of grain. But grain, or whatever else may happen to be the staple article of human subsistence to any people, deserves more particular notice.

It is universally found, that the numbers of

mankind increase, in proportion to the supply of subsistence. The abundance and cheapness of provisions are favorable to the advance of population : their scarcity is productive of the opposite effect* ; but neither cause operates so rapidly, as the annual succession of crops. The crop of one year may, perhaps, exceed or fall short of the usual average, by as much as $\frac{1}{5}$ or $\frac{1}{4}$: but a country, that, like France, has thirty millions of inhabitants one year, cannot have thirty-six millions the next ; nor could its population be reduced to twenty-four millions in the space of one year, without the most dreadful degree of suffering. Therefore, it is the ordinance of nature, that the population shall one year be superabundantly supplied with subsistence, and another year be subjected to scarcity in some degree or other of intensity.

And so, indeed, it is with all other objects of consumption ; but, as the most of them are not absolutely indispensable to existence, the temporary privation of them amounts not to the absolute extinction of life. The high price of a product, which has wholly or partially failed at home, is a powerful stimulus to commerce, to import it from a greater distance and at a greater expense. But it is unsafe to leave wholly to the providence of individuals the care of supplying an article of such absolute necessity ; the delay of which, but for a few days, may be a national calamity ; the transport of which exceeds the ordinary means of

* *Vide infra*, Book II. chap. 11.

commerce; and whose weight and bulk would make its distant transport, especially by land, double, or triple its average price. If the foreign supply of corn be relied upon, it may happen to be scarce and dear in the exporting and the importing country at the same moment. The government of the exporting country may prohibit the export, or a maritime war may interrupt the transport. But the article is one the nation cannot do without, or even wait for a few days longer. Delay is death to a part of the population at the least.

For the purpose of equalizing the average consumption to the average crop, each family ought literally to lay by, in years of plenty, for the deficiency of years of scarcity. But such providence cannot be reckoned upon in the bulk of the population. A great majority, to say nothing of their utter want of foresight, are destitute of the means of keeping such a store in reserve sometimes for several years together; neither have they the accommodations for housing it, or the means of taking it along with them on a casual change of abode.

Can speculative commerce be depended upon for this reserve against a deficiency? At first sight it might appear that it could, that self-interest would be an adequate motive; for the difference of the price of corn in years of abundance and those of scarcity is very great. But the recurrence of the oscillation is too irregular in distance of time, and too infrequent also to give rise to a regu-

lar traffic, or one that can be repeated at pleasure. The purchase of the grain, the number and size of the storehouses, require a very large advance of capital and a heavy arrear of interest: it is an article, that must be repeatedly shifted and turned, and is much exposed to fraud and damage, as well as to popular violence. All these are to be covered by a profit of rare occurrence. Wherefore, it is possible, that the article may not hold out sufficient temptation to the speculator, although this would be the most commendable kind of speculation, being framed upon the principle of buying from the producer when he is eager to sell, and selling to the consumer when he finds it difficult to purchase.

In default of the individual providence of the consumer, and of speculative accumulation and reserve, neither of which it would seem can be safely depended upon, can the public authority, as representing the aggregate interests, undertake the charge of providing against a scarcity with any prospect of success? I am aware, that, in a few very limited communities, blessed with a very economical government, like some of the Swiss cantons, public granaries for storing a casual surplus have answered the purpose well enough. But I should pronounce them impracticable in large and populous countries. The advance of capital and its accruing interest would affect the government, in the same manner as private speculators, and even in a greater degree; for there are few governments, that can borrow on such

low terms as individuals in good credit. The difficulties of managing a commercial concern of buying, storing, and re-selling to so large an extent, would be still more insuperable. Turgot, in his letters on the commerce of grain, has clearly proved, that, in matters of this kind, a government never can expect to be served at a reasonable rate ; all its agents having an interest in swelling its expenditure, and none of them in curtailing it. It would be utterly impossible to answer for the tolerable conduct of a business left to the discretion of agents without any adequate control, whose actions are, for the most part, governed by the superior dignitaries of the state, who seldom have either the knowledge or condescension requisite for such details. A sudden panic in the public authorities might prematurely empty the granaries ; a political measure, or a war, divert their contents to quite a different destination.

Generally speaking, it appears that there is no safe dependence for a reserve of supply against a season of scarcity, unless the business be confided to the discretionary management of mercantile houses of the first capital, credit, and intelligence, willing to undertake the purchase, and the filling and replenishment of the granaries upon certain stipulated terms, and with the prospect of such advantages, as may fairly recompense them for all their trouble. The operation would then be safe and effectual, for the contractors would give security for due performance : and it would also be cheaper executed in this way than in any other. Different

establishments might be contracted with for the different cities of note; and these being thus supplied in times of scarcity from the stores in reserve, would no longer drain the country of the subsistence destined to the agricultural population. (o)

Public stores and granaries are after all but auxiliary and temporary expedients of supply. The most abundant and advantageous supply will always be, that furnished by the utmost freedom of commerce, whose duties in respect to grain consist chiefly in transporting the produce from the farm-yard to the principal markets, and thence in smaller quantities from the markets of the districts where it is superabundant to those of others,

(o) It is singular, that, after the very careful revision, which this section has undergone in the last edition, this paragraph should have been suffered to stand. Indeed, one would almost suspect that our author had left it rather in compliment to the popular notions of his own country, than from personal conviction of the propriety of the measure he suggests; which is impugned by the whole context of the remaining part of the section. The best security against famine is, the total absence of all official interference whatever, whether permanent or temporary, as the example of Great Britain will testify. There the government has at all times abstained from taking a personal part in the supply either of town or country, and has limited its interference to the mere export and import, which have only been cramped and impeded by its ill-advised operations. Another important ground of security is, the variety of the national food. Upon this our author has observed. *Vide infra*. T.

that may be scantily supplied; or in exporting when cheap, and importing when dear.

Popular prejudice and ignorance have universally regarded with an evil eye those concerned in the corn-trade; nor have the depositaries of national authority been always exempt from similar illiberality. The main charge against them is, that they buy up corn with the express purpose of raising its price, or at least of making an unreasonable advantage upon the purchase and resale, which is in effect so much gratuitous loss to the producer and consumer.

First, I would ask, what is meant by this charge? If it be meant to accuse the dealers of buying in plentiful seasons when corn is cheap, and laying by in reserve against seasons of scarcity, we have just seen, that this is a most beneficial operation, and the sole means of accommodating the supply of so precarious an article to the regularity of an unceasing demand. Large stores of grain laid in at a low price contribute powerfully to place the subsistence of the population beyond risk of failure, and deserve not only the protection, but the encouragement of the public authorities. But, if it be meant to charge the corn-dealers with buying up on a rising market and on the approach of scarcity, and thereby enhancing the scarcity and the price, although I admit, that this operation has not the same recommendation of utility, and that the consumer is saddled with the additional cost of the operation without any direct equiva-

lent benefit, for in this instance the deficiency of one year is not made good by the hoarded surplus of a preceding one, yet I cannot think it has ever been attended with any very alarming or fatal consequences. Corn is a commodity of most extended production; and its price cannot be arbitrarily raised, without disarming the competition of an infinity of sellers, and without an extent of dealing and of agency scarcely practicable to individuals. It is, besides, a most cumbersome and inconvenient article in comparison with its price, and consequently most expensive and troublesome in the carriage and warehousing. A store of any considerable value cannot escape observation. * And its liability to damage or decay often make sales compulsory, and expose the larger speculators to immense loss.

Speculative monopoly is, therefore, extremely difficult, and little to be dreaded. The kind of engrossment most prejudicial, as well as most difficult of prevention, is that practised by the domestic prudence of individuals in apprehension of a scarcity. Some, from excess of precaution, lay by rather more than they want; while farmers, farming proprietors, millers and bakers, who ha-

* *Lamarre*, who was a great advocate for the interference of authority in these matters, and was commissioned by the government, in the scarcities of the years 1699 — 1709, to discover all concealed hoards, and bring to light the monopolists, frankly confesses, that he was not able to make seizure of so much as 100 quarters altogether. *Traité de la Police, Supplement au tome 11.*

bitually keep a stock on hand, take care somewhat to swell that stock, in the idea that they shall sell to a profit whatever surplus there may be; and the infinite number of these petty acts of engrossment makes them greatly exceed in the aggregate all the united efforts of speculation.

But what if it should turn out after all, that even the selfish and odious views of such speculators are productive of some good? When corn is cheap, it is consumed with less providence and frugality, and used as food for the domestic animals. The distant prospect of scarcity, or even a slight rise of price, is insufficient to check this improvidence betimes. If the great holders shut up their stores, however, the consequent anticipation of a rise of price immediately puts the public on their guard, and awakens the particular frugality and care of the little consumers, of whom the great mass of consumption is composed. Ingenuity is set at work to find a substitute for the scarce article of food, and not a particle is wasted. Thus, the avarice of one part of mankind operates as a salutary check upon the improvidence of the rest; and, when the stock withheld at length appears in the market, its quantity tends to lower the price in favor of the consumer.

With regard to the tribute, which the dealer is supposed to exact from both producer and consumer, it is a charge that will attach with equal justice upon every branch of commerce whatsoever. There would be some meaning in it, could products reach the hands of the consumer without

any advance of capital, without warehouses, trouble, combination, or any kind of difficulty. But, so long as difficulties shall exist, nobody will be able to surmount them so cheaply, as those who make it their special business. Legislation should take an enlarged view of commerce in the aggregate, small and great; it will find its agents busied in traversing the whole surface of the territory, watching every fluctuation of demand and supply, adjusting the casual or local deficiency of price to meet the charges of production, and excess of price above the capacity of consumption. Is it to the cultivator, to the consumer, or to the public administration, that we can safely look for so beneficial and powerful an agency? Extend, if you please, the facility of intercourse, and particularly the capacities of internal navigation, which alone is suited to the transport of a commodity so cumbersome and bulky as grain; vigilantly watch over the personal security of the trader; and then leave him to follow his own track. Commerce cannot make good the failure of the crop; but it can distribute whatever there may be to distribute, in the manner best suited to the wants of the community, as well as to the interests of production. And doubtless it was for this reason, that Smith pronounced the labour of the corn-dealer to be favorable to the production of corn, in the next degree to that of the cultivator himself.

The prevalence of erroneous views of the production and commerce of articles of human subsistence have led to a world of mischievous and

contradictory laws, regulations, and ordinances, in all countries, suggested by the exigency of the moment, and often extorted by popular importunity. The danger and odium thus heaped upon the dealers in grain have frequently thrown the business into the hands of inferior persons, qualified neither by information nor ability for the business; and the usual consequence has followed; namely, that the same traffic has been carried on in secret, and at far greater expense to the consumers; the dealers to whom it was abandoned being of course obliged to pay themselves for all the risk and inconvenience of the occupation.

Whenever a maximum of price has been affixed to grain, it has immediately been withdrawn or concealed. The next step was, to compel the farmers to bring their grain to market, and prohibit all private sales. These violations of property, with all their usual accompaniments of inquisitorial search, personal violence, and injustice, have never afforded any considerable resource to the government employing them. In polity as well as morality, the grand secret is, not to constrain the actions, but to awaken the inclinations of mankind. Markets are not to be supplied by the terror of the bayonet or the sabre. *

* The French Minister of the Interior, in his report presented in December 1817, admits that the markets were never so ill supplied, as immediately after the decree of May 4. 1812, prohibiting all sales out of open market. The consumers crowded thither, having no where else to resort to; while the farmers, being obliged to sell below the current price, pretended to have nothing for sale.

When the national government attempts to supply the population by becoming itself a dealer, it is sure to fail in satisfying the national wants itself, and at the same time to extinguish all the resources, that freedom of commerce would offer; for nobody else will knowingly embark in a losing trade, though the government may.

During the scarcity prevalent throughout many parts of France in the year 1775, the municipalities of Lyons and some other towns attempted to relieve the wants of the inhabitants, by buying up corn in the country, and re-selling it at a loss in the towns. To defray the expense of this operation, they at the same time obtained an increase of the *octroi*, or tolls upon goods entering their gates. The scarcity grew worse and worse, for a very obvious reason; the ordinary dealers naturally abandoned markets, where goods were sold below the cost price, and which they could not resort to without moreover paying extra toll upon entry. *

* In all ages and in all places this effect will follow. The Emperor Julian, A. D. 362, caused to be sold at Antioch 420,000 *modii* of wheat imported from Chalcis and Egypt for the purpose, at a price lower than the average of the market; the supplies of private commerce were immediately stopped in consequence, and the famine was aggravated. *Vide* Gibbon, c. 24. The principles of political economy are eternal and immutable; but one nation is acquainted with them and another not.

The metropolis of the Roman empire was always destitute of subsistence, when the government withheld the gratuitous largesses of grain drawn from a tributary world; and these very largesses were the real cause of the scarcity felt and com-

The more necessary an article is, the more dangerous it is to reduce its price below the natural level. An accidental dearness of corn, though doubtless a most unwelcome occurrence, is commonly brought about by causes out of all human power to remove.* There is no wisdom in heaping one calamity upon another, and passing bad laws because there has been a bad season.

Governments have met with no better success in the matter of importation, than in the conduct of internal commerce. The enormous sacrifices made by the *commune* of Paris and the general government, to provision the metropolis in the winter of 1816-17 with grain imported from abroad, did not protect the consumer from an exorbitant advance in the price of bread, which was besides deficient both in weight and quality; and the supply was found inadequate after all.†

* One of the most frequent causes of famine is, indeed, of human creation, and that is war, which both interrupts production, and wastes existing products. This cause is, therefore, within human control; but we can hardly expect it to be effectually exerted, until governments shall entertain more accurate notions of their own, as well as of the national interests; and nations be weaned of the puerility of attaching sentiments of admiration and glory to perils encountered without necessity or reason.

† It is mere mockery to talk of the paternal care, solicitude, or beneficence of government, which are never of any avail, either to extend the powers of authority, or to diminish the sufferings of the people. The solicitude of the government can never be doubted; a sense of intense personal interest will always guide it to the conservation of social order, by which it is sure to be the principal gainer. And its beneficence can have little merit; for it can exert none, but at the expense of

On the subject of bounties on import, it is hardly necessary to touch. The most effectual bounty is the high price of the article in the country, where the scarcity occurs, amounting sometimes to as much as 200 or 300 per cent. If this be not sufficient to tempt the importer, I know of no adequate inducement that the government could hold out to him.

Nations would be less subject to famine, were they to employ a greater variety of aliments. When the whole population depends upon a single product for subsistence, the misery of a scarcity is extreme. A deficiency of corn in France is as bad as one of rice in Hindustan. When their diet consists of many articles, as butcher's meat, poultry, esculent roots, vegetables, fruits, fish, &c., according to local circumstances, the supply is less precarious; for these articles seldom fail all at a time.*

* Custom, the tyrant of weak minds, and of such, unfortunately, is the great mass of mankind, and of the lower classes in particular, is always a formidable opponent to the introduction of a new article of food. I have observed, in some provinces of France, a decided distaste for the paste prepared in the Italian method, although a most nutritious substance, and well calculated for keeping the flour sound and good. Probably, nothing but the frequent recurrence of scarcity during the political agitations of the nation could have extended the cultivation and consumption of the potatoe, so as to have made it a staple article of food in many districts. The appetite for that vegetable would be still more general, were a little more attention bestowed upon preserving and ameliorating the species, and the practice of raising it from the seed rather than the root more strictly observed.

Scarcity would also be of less frequent recurrence, if more attention were paid to the dissemination and perfection of the art of preserving, at a cheap rate, such kinds of food, as are offered in superabundance at particular seasons and places; fish for instance; their periodical excess might in this way be made to serve for times of scarcity. A perfect freedom of international maritime intercourse would enable the inhabitants of the temperate latitudes to partake cheaply of those productions, that nature pours forth in such profusion under a tropical sun.* I know not how far

* *Humboldt* tells us, in his *Essai pol. sur la nouvelle Espagne*, c. ix., that an equal area of land in that country will produce *bananas*, potatoes, and wheat, in the following proportions of weight:—

	Kilogrammes.
Bananas - - - - -	106,000
Potatoes - - - - -	2,400
Wheat - - - - -	800

The product of bananas is, therefore, in weight, 133 times that of wheat, and 44 times that of potatoes. But a large deduction must be made for the aqueous particles of the banana.

A *demi-hectare* of fertile land in Mexico, by proper cultivation of the larger species of banana, may be made to feed more than 50 individuals (*p*); whereas the same extent of surface in Europe, supposing it to yield eight-fold, will give an annual product of no more than 576 *kils.* of wheat flour, which is not enough for the sustenance of two persons. It is natural that Europeans, on their first arrival in a tropical region, should be surprised at the very limited extent of cultivated ground, encircling the crowded cabins of the native population.

(*p*) More recent travellers have doubted the accuracy of this statement: but it is unquestionable, that a banana diet will
vastly

it would be possible to preserve and transport the fruit of the banana; but the experiment has in a great measure succeeded with respect to the sugarcane, which furnishes, in a thousand shapes, an agreeable and wholesome article of diet, and is produced so abundantly by all parts of the world, lying within 38° of latitude, that, but for our present absurd legislative provisions, it might be had much cheaper than butcher's meat, and for the same price as many indigenous fruits and vegetables. *

To return to the corn-trade, I must protest against the indiscriminate and universal application of the arguments I have adduced to show the benefits of liberty. Nothing is more dangerous in practice, than an obstinate unbending adherence to system, particularly in its application to the wants and errors of mankind. The wiser course is, to approximate invariably to the standard of sound and acknowledged principles, to lead towards them by the never-failing influence of gradual and insensible attraction. It is well to fix beforehand a maximum of price, beyond which

* The same author informs us, that, in St. Domingo, a superficial square of 3403 toises, is reckoned at an average capable of producing 10,000 lbs. weight of sugar; and that the total consumption of that commodity in France, taking it at the fair average of 20,000,000 *kils.*, might be raised upon a superficial area of seven square leagues.

vastly extend the means of human subsistence upon an equal space of territory. T.

exportation of grain shall either be prohibited, or subjected to heavy duties ; for, as smuggling cannot be prevented entirely, it is better that those, who are resolved to practice it, should pay the insurance of the risk to the state, than to individuals.

We have hitherto regarded the inflated price of grain as the only evil to be apprehended. But England, in 1815, was alarmed by a prospect of an opposite evil ; viz. that its price would be reduced too low, by the influx of foreign grain. The production of this article is, like that of every other, much more costly in England than in the neighbouring states ; owing to a variety of causes, which it is immaterial here to explain ; amongst others, chiefly to the exorbitance of her taxation. — Foreign grain could be sold in England at two-thirds of its cost price to the English grower. It, therefore, became a most important question, whether it were better to permit the free importation, and thus, by exposing the home producer to a ruinous competition with the foreign grower, to render him incapable of paying his rent and taxes, to divert him from the cultivation of wheat altogether, and place England in a state of dependence for subsistence upon foreign, perhaps hostile nations ; or, by excluding foreign grain from her markets, to give a monopoly to the home producer at the expense of the consumer, thereby augmenting the difficulty of subsistence to the labouring classes, and, by the advanced price of the necessities of life, indirectly raising that of all the

manufactured produce of the country, and proportionately disabling it to sustain the competition of other nations.

This great question has given rise to the most animated contest, both of the tongue and the pen; and the obstinate contention of two parties, each of which had much of justice on its side, leaves the bystanders to infer, that neither has chosen to notice the grand cause of mischief; that is to say, the necessity of supporting the arrogant pretensions of England to universal influence and dominion, by sacrifices out of all proportion to her territorial extent. (q) At all events, the great acuteness and intelligence, displayed by the combatants on either side, have thrown new light upon the interference of authority in the business of the supply of grain, and have tended to strengthen the conclusion in favor of commercial liberty.

The substance of the argument of the prohibitionists may be reduced to this: that it is expedient to encourage domestic agriculture, even at the

(q) Our author has here rather gone out of his way, to indulge in a sneer at the pride of a rival nation. He has elsewhere shown us, that he is not ignorant, that the exorbitance of her taxation does not arise from any present pursuit of ambitious views, but from the past improvidence of her rulers. In short, the notice of her ambition is here wholly out of place. Were her establishment to be cut down in all its branches to the lowest scale of economical retrenchment, the protection of domestic agriculture might yet be a matter of policy or necessity, under the pressure of an enormous national debt, and of tithes and poor-rates. T.

expense of the consumer, to avoid the risk of starvation by external means ; which is seriously to be apprehended on two occasions in particular ; first, when the power or influence of a belligerent is able to intercept or check the import, which might become necessary ; secondly, when the corn-growing countries themselves experience a scarcity, and are obliged to retain the whole of their crops for their own subsistence.*

It was replied by the partisans of free-trade, that, if England were to become a regular and constant importer of grain, not one, but many foreign countries would grow into a habit of supplying her: the raising of corn for her market in Poland, Spain, Barbary, and North America, would be more extensively practised, and the sale of their produce would become equally indispensable to them, as the purchase would be to England : that even Buonaparte, the most bitter enemy England had ever encountered, had taken her money for the licence to export corn : that crops never fail at the same time all over the world ; and that an extensive commerce in grain would lead to the formation of large stores and depôts, which will offer the best possible security against the recurrence of scarcity ; and that, accordingly, as they asserted, there are no countries less subject to that calamity, or even to violent fluctuations of price, than those that grow no corn at all ; for

* Malthus. *Inquiry into the Nature and Progress of Rent. Grounds of an Opinion, &c. on Foreign Corn.*

which they cited the example of Holland, and other nations similarly circumstanced.*

However, it cannot be disputed that, even in countries best able to reckon on commercial supply, there are many serious inconveniencies to be apprehended from the ruin of internal tillage. Subsistence is the primary want of a nation, and it is neither prudent nor safe to become dependent upon distant supply. Admitting that laws, which, for the protection of the agricultural, prohibit the import of grain to the prejudice of the manufacturing interest, are both unjust and impolitic, it should be recollected that, on the other hand, excessive taxation, loans, over-grown establishments, civil, military, or diplomatic, are equally impolitic and unjust, and fall more heavily upon agriculture than upon manufacture. Perhaps one abuse may make another necessary, to restore the equilibrium of production, otherwise industry would abandon one branch, and take exclusively to another, to the evident peril of the existence of society.(r)

* Ricardo. *Essay on the Influence of the Low Price of Corn, &c.*

(r) The contention of parties in England ended for the time in a sort of compromise between the conflicting interests, which is prejudicial to both. The import of corn is absolutely prohibited, when its average money-price in the home market is under a specified amount (80 *s.* for wheat), and this without any reference to the probable fluctuations in the relative value of money; so that the manufacturer is tied down to a near approximation to that amount of money-price, however high money may rise in relation to commodities. But, when corn exceeds

exceeds that average, that is to say, when the home crop is more deficient than ordinary, domestic agriculture then receives no protecting premium at all; for the charge of transport is never equal to the difference of price in the home and foreign markets. In this latter case, agriculture, with equal productive exertion, obtains a smaller reward, though, at this identical time, suffering under the pressure of the poor laws, aggravated by the higher price of subsistence. The wiser course would have been, to have imposed a fixed duty on import of so much per quarter; whereby the state would have acquired a revenue, and might have relieved production to an equivalent amount; agriculture would receive a regular bounty to the amount of the duty, *plus* the charge of transport; home manufacture would find an increased vent in the purchase of the foreign grain; commerce, increased occupation in the transport to and fro, divested of that gambling unnatural character, that it has of late assumed; and consumers at large might reckon upon a greater steadiness of supply, and an adjustment of money-price according to the fluctuations in the real value of money itself. T.

CHAP. XVIII.

OF THE EFFECT UPON NATIONAL WEALTH, RESULTING
FROM THE PRODUCTIVE EFFORTS OF PUBLIC AUTHORITY.

THERE can be no production of new value, consequently no increase of wealth, where the product of a productive concern does not exceed the charges of production.* Thus, whether government or individuals be the adventurers in the losing concern, it is equally ruinous to the nation, and there is so much less value in the country.

It is of no avail to pretend, that, although the government be a loser, its agents, the industrious people or the workmen it employs, have made a profit. If the concern cannot support itself and pay its own way, the receipt must fall short of the outlay, and the difference fall upon those, who supply the expenditure of the state ; that is to say, the tax-payers.†

* It must not be forgotten, that the consumption of the value of the productive agency, exerted in the course of production, is quite as real as that of the raw material. And under this term, productive agency, I comprise that of capital as well as of human beings.

† This is equally true, when the government speculates with
its

The manufacture of Gobelin tapestry, carried on by the government of France, consumes a large quantity of wool, silk, and dyeing-drugs; furthermore, it consumes the rent of the ground and buildings, as well as the wages of workmen employed; all which should be reimbursed by the product, which they are very far from being. This establishment, instead of a source of wealth to the nation at large, for the government is fully aware of the loss to itself, is, on the contrary, a source of perpetual impoverishment. The annual loss to the nation is the whole excess of the annual consumption of the concern, including wages, which are one item of consumption, above the annual product. The same may be said of the manufacture of porcelain at Sèvres, and I fear of all manufacturing concerns carried on upon account of governments.

We are told, that this is a necessary sacrifice; that otherwise the sovereign would be unprovided with objects of royal bounty and of royal splendor. This is no place to enquire, how far the munificence of the monarch and the splendor of his palaces contribute to the good government of the people. I take for granted that these things are necessary; yet, admitting them to be so, there is no reason why the national sacrifices, requisite to support this magnificence and liberality, should be aggravated by the losses incurred by a mis-

its own private or peculiar funds, as with the produce of the national lands; for whatever is thus expended might have gone towards alleviating the public burthens.

direction of the public means. A nation had much better buy outright what it thinks proper to bestow ; it would probably obtain for less money an object full as precious ; for individuals can always undersell the government. *

There is a further evil attending the productive efforts of the government ; they counteract the individual industry, not of those it deals with, for they take good care to be no losers, but of its competitors in production. The state is too formidable a rival in agriculture, manufacture, and commerce ; it has too much wealth and power at command, and too little care of its own interest. It can submit to the loss of selling below prime cost ; it can consume, produce, or monopolize in very little time so large a quantity of products, as violently to derange the relative prices of commodities ; and every violent fluctuation of price is calamitous. The producer calculates upon the probable value of his product when ready for market ; nothing discourages him so much, as a fluctuation that defies all calculation. The loss he suffers is equally unmerited, as the accidental

* The same may be observed of commercial enterprises undertaken by the public authority. During the scarcity of 1816-17, the French government bought up corn in foreign markets ; the price of corn rose to an exorbitant rate in the home market, and the government resold at a very high rate, although somewhat below the average of the market. Individual traders would have found this a very profitable venture ; but the government was out of pocket 21 millions of *francs* and upwards. *Rapport au Roi du 24 Dec. 1818.*

gains that may be thrown into his hands. His unmerited gains, if any there be, are so much extra charge upon the consumer.

There are some concerns, I know, which the government must of necessity keep in its own hands. The building of ships of war cannot safely be left to individuals (*a*); nor, perhaps, the manufacture of gunpowder. However, in France, cannon, muskets, caissons, and tumbrils are bought of private makers, and seemingly with benefit. Perhaps the same system might be further extended. A government must act by deputy, by the intermediate agency of a set of people, whose interest is in direct opposition to its own; and they will of course attend to their own in preference. If it be so circumstanced, as to be invariably cheated in its bargains, there is no need to multiply the opportunities of fraud, by engaging itself in production and adventure; that is to say, embarking in concerns, that must infinitely multiply the occasions of bargaining with individuals.

But, although the public can scarcely be itself a successful producer, it can at any rate give a powerful stimulus to individual productive energy, by well-planned, well-conducted, and well-supported public works, particularly roads, canals, and harbours.

Facility of communication assists production,

(*a*) Many of the English, as well as of the American line of battle-ships, have been built by contract in private yards. Gunpowder is also supplied by contractors. T.

exactly in the same way as the machinery, that multiplies manufactured products, and abridges the labour of production. It is a means of furnishing the same product at less expense, which has exactly the same effect, as raising a greater product with the same expense. If we take into account the immense quantity of goods conveyed upon the roads of a rich and populous empire, from the commonest vegetables brought daily to market, up to the rarest imported luxuries poured into its harbours from every part of the globe, and thence diffused, by means of land-carriage, over the whole face of the territory, we shall readily perceive the inestimable economy of good roads in the charges of production. The saving in carriage amounts to the whole value the article has derived gratuitously from nature (*a*), if, without good roads,

(*a*) In former editions, our author's position was, that the whole value was referable to facility of communication. Neither is correct. The value of the article, when it reaches the consumer, is compounded of its utility and difficulty of attainment : its utility, though in most cases derived wholly, or partially from nature, is nowise affected by the facility of communication, which operates exclusively to reduce the intensity of the other ingredient of its value, viz. difficulty of attainment. This, and similar inaccuracies throughout the work, have arisen from the erroneous definition of value in the outset. In the instance put, the utility of the timber is equal, whether it grow in one place or the other ; but, in the one case, it is attainable by mankind ; in the other, the difficulty of attainment is at present insuperable. The total or partial removal of that difficulty is doubtless a clear gain to mankind ; but it is a gain, not of the portion of value attached by the natural quality, its utility, but of the diminution of the natural difficulty of attainment. T.

it could not be had at all. Were it possible to transplant from the mountain to the plain the beautiful forests that flourish and rot neglected upon the inaccessible sides of the Alps and Pyrenees, the value of these forests would be an entirely new creation of value to mankind, a clear gain of revenue both to the landholder and the consumer also.

Academies, libraries, public schools, and museums, founded by enlightened governments, contribute to the creation of wealth, by the further discovery of truth, and the diffusion of what was known before; thus empowering the superior agents and directors of production, to extend the application of human science to the supply of human wants.* So likewise of travels, or voyages of discovery, undertaken at the public charge; the consequences of which have of late years been rendered particularly brilliant, by the extraordinary merit of those, who have devoted themselves to such pursuits.

It is observable too, that the sacrifices made for the enlargement of human knowledge, or merely for its conservation, should not be reprobated, though directed to objects of no immediate or apparent utility. The sciences have an universal chain of connexion. One which seems purely speculative must advance a step, before another of great and obvious practical utility can be promoted. Besides, it is impossible to say what useful properties may lie dormant in an object of mere curiosity.

* *Suprà*, Chap. 6.

When the Dutchman Otto Guericke struck out the first sparks of electricity, who would have supposed they would have enabled Franklin to direct the lightning, and divert it from our edifices, an exploit apparently so far beyond the powers of man?

But of all the means, by which a government can stimulate production, there is none so powerful as the perfect security of person and property, especially from the aggressions of arbitrary power.* This security is of itself a source of public prosperity, that more than counteracts all the restrictions hitherto invented for checking its progress. Restrictions compress the elasticity of production; but want of security destroys it altogether. (b) To

* Smith, in his recapitulation of the real causes of the prosperity of Great Britain, places at the head of the list, 'That equal and impartial administration of justice, which renders the rights of the meanest British subject respectable to the greatest; and which, by securing to every man the fruits of his own industry, gives the greatest and most effectual encouragement to every sort of industry.' *Wealth of Nations*, b. iv. c. 7. *Poivre*, who was a great traveller, tells us, that he never saw a country really prosperous, which did not enjoy the freedom of industry, as well as security of person and property.

(b) This security is in fact the main duty of all government. Were it not for the imperfections of human nature, — the propensity of mankind to vice, society might exist without government, for no man would injure another. It is to protect one against the vices of another, that the forms and institutions of society are established or supported; thus arming individual right with the aggregate of social strength. But the same moral imperfections, which drive mankind into the bonds of

convince ourselves of this fact, it is sufficient to compare the nations of western Europe, with those subject to the Ottoman power. Look at most parts of Africa, Arabia, Persia, and Asia Minor, once so thickly strown with flourishing cities, whereof, as Montesquieu remarks, no trace now remains but in the pages of Strabo. The inhabitants are pillaged alike by bandits and pashas; wealth and population have vanished; and the thinly scattered remnant are miserable objects of want and wretchedness. Survey Europe on the other hand; and though she is still far short of the prosperity she might attain, most of her kingdoms are in a thriving condition, in spite of taxes and restrictions innumerable; for the simple reason, that person and property are there pretty generally safe from violence and arbitrary exaction.

There is one expedient, by which a government may give its subjects a momentary accession of wealth, that I have hitherto omitted to mention. I mean, the robbery from another nation of all its moveable property, and bringing home the spoil, or the imposition of enormous tributes upon its growing produce. This was the mode practised by the Romans in the later periods of the republic, and under the earliest emperors. This is an ex-

society, undermine and vitiate its institutions. The very engine erected to protect, is directed to the injury and spoliation of individuals; and becomes occasionally more dangerous than individual wrong. T.

pedient of the same nature, as the acquirement of wealth by individual acts of illegal violence or fraud. There is no actual production, but a mere appropriation of the products of others. I mention this method of acquiring wealth, once for all, without meaning to recommend it as either safe or honorable. Had the Romans followed the contrary system with equal perseverance, had they studied to spread civilization amongst their savage neighbours, and to establish a friendly intercourse that might have engendered reciprocal wants, the Roman power would probably have existed to this day.

CHAP. XIX.

OF COLONIES AND THEIR PRODUCTS.

COLONIES are settlements formed in distant countries by an elder nation, called, the mother-country. When the latter wishes to enlarge its intercourse with a country, already populous and civilised, whose territory it has, therefore, no hopes of getting into its own possession, it commonly contents itself with the establishment of a factory or mercantile residence, where its factors may trade, in conformity with the local regulations; as the Europeans have done in China and Japan. When colonies shake off their dependence upon the mother-country, they become substantive and independent states.

It is common for nations to colonise, when their population becomes crowded in its ancient territorial limits; and when particular classes of society are exposed to the persecution of the rest. These appear to have been the only motives for colonisation among the ancients; the moderns have been actuated by other views. The vast improvements in navigation have opened new channels to their enterprise, and discovered countries before un-

known; they have found their way to another hemisphere, and to the most inhospitable climates, not with the intention of there fixing themselves and their posterity, but to obtain valuable articles of commerce, and return to their native countries, enriched with the fruits of a forced, but yet very extensive production.

It is worth while to note this difference of motive, which has made so marked a difference in the consequences of the two systems of colonisation. I am strongly tempted to call one the colonial system of the ancients, and the other, the colonial system of the moderns; although there have been many colonies in modern times established on the ancient plan, of which those of North America are the most distinguished. (*a*)

The production of colonies, formed upon the ancient system, is inconsiderable at the commencement, but increases with great rapidity. The colonists choose for their country of adoption a spot, where the soil is fertile, the climate genial, or the position advantageous for commercial purposes.

(*a*) The distinction of the two systems is more imaginary than real. Most of the early establishments of the Europeans in the West were made with the view of absolute migration. The French at St. Domingo, the English at Barbadoes, the Spaniards almost universally, settled without the intention of returning home. The introduction of negro labour was an afterthought. Slavery was an established practice in all the ancient world; and colonies either made prize of the indigenes, or imported slaves from abroad, as soon as they were rich enough to buy them. T.

The land is generally quite fresh, whether it have been the scene of a dense population long since extinguished, or merely the range of roving tribes, too small in number and strength to exhaust the productive qualities of the soil.

Families, transplanted from a civilised to an entirely new country, carry with them theoretical and practical knowledge, which is one of the chief elements of productive industry: they carry likewise habits of industry, calculated to set these elements in activity, as well as the habit of subordination, so essential to the preservation of social order: they commonly take with them some little capital also, not in money, but in tools and stock of different kinds: moreover, they have no landlord to share the produce of a virgin soil, far exceeding in extent what they are able to bring into cultivation for years to come. To these causes of rapid prosperity, should, perhaps, be superadded the chief cause of all, the natural desire of mankind to better their condition, and to render as comfortable as possible the mode of life they have adopted.

The rapid increase of products in colonies, founded upon this plan, would have been still more striking, if the colonists had carried with them a larger capital; but, as we have already observed, it is not the families favored by fortune that emigrate; those, who have the command of a sufficient capital to procure a comfortable existence in their native country, the scene of their halcyon days of infancy, will rarely be tempted to

renounce habits, friends, and relations, to embark in what must always be attended with hazard, and encounter the inseparable hardships of a primitive establishment. This accounts for the scarcity of capital in newly-settled colonies; and is one reason why it bears so high a rate of interest there.

In point of fact, capital is of much more rapid accumulation in new colonies, than in countries long civilised. It would seem as if the colonists, in abandoning their native country, leave behind them part of their vicious propensities; they certainly carry with them little of that fondness for show, that costs so dear in Europe, and brings so poor a return. No qualities, but those of utility, are in estimation in the country they are going to; and consumption is limited to objects of rational desire, which is sooner satisfied than artificial wants. The towns are few and small; the life of agriculturists, which they must necessarily adopt, is of all others the most economical; finally, their industry is proportionately more productive, and requires a smaller capital to work upon.

The character of the colonial government usually accords with that of individuals; it is active in the execution of its duties, sparing of expense, and careful to avoid quarrels; thus there are few taxes, sometimes none at all; and, since the government takes little or nothing from the revenues of the subject, his ability to multiply his savings, and consequently to enlarge his productive capital, is very great. With very little capital to begin upon, the annual produce of the colony very soon ex-

ceeds its consumption. Hence, the astonishingly rapid progress in its wealth and population ; for human labour becomes dear in proportion to the accumulation of capital ; and it is a well-known maxim, that population always increases according to the demand.*

With these *data*, there is no difficulty in explaining the causes of the rapid advance of such colonies. Among the ancients, we find, that Ephesus and Miletus in Asia Minor, Tarentum and Crotona in Italy, Syracuse and Agrigentum in Sicily, very soon surpassed the parent cities in wealth and consequence. The English colonies in North America, which bear the closest resemblance of any in our times to those of ancient Greece, present a picture of prosperity less striking perhaps, but quite as deserving of notice, and still in the attitude of advance.

It is the invariable practice of colonies, founded upon this plan, and without any thoughts of returning home, to provide themselves an independent government ; and, even where the mother-country reserves the right of legislation, that right will sooner or later be dissolved by the operation of natural causes, and matters be brought to that footing, on which justice and regard to its real interest should have prompted her to put them originally.

But, to proceed to the colonies formed upon the colonial system of the moderns ; the founders of

* *Vide infrà*, under the head of Population, Book II. c. 11.

them were for the most part adventurers, whose object was, not to settle in an adopted country, but rapidly to amass a fortune, and return to enjoy it in their former homes.*

The early adventurers of this stamp found ample gratification of their extravagant rapacity, first in the cluster of the Antilles, in Mexico and Peru, and subsequently in Brazil and in the Eastern Indies. After exhausting the resources previously accumulated by the aborigines, they were compelled to direct their industry towards discovering the mines of these new countries, and to turn to account the no less valuable produce of their agriculture. Successive swarms of new colonists poured in from time to time, animated for the most part with some hope of return, with the desire, not of living in affluence upon the land they cultivated, and leaving behind them a contented posterity and a spotless name, but of making inordinate gain, to be afterwards enjoyed elsewhere : this motive led them to adopt a system of compulsory cultivation, of which negro slavery was the principal instrument.

But let me ask, in what manner does slavery operate upon production? Is the labour of the slave less costly, than that of the free labourer?

* There have been many exceptions in North America and elsewhere. The colonies of Spain and Portugal in the New World were of an ambiguous character. Some of the colonists contemplated a return; others went to establish themselves and their posterity; but the whole plan of them has been subverted, since the commencement of the struggle for emancipation.

This is an important enquiry, originating in the influence of the modern system of colonisation upon the multiplication of wealth.

Stewart, Turgot, and Smith, all agree in thinking, that the labour of the slave is dearer and less productive than that of the freeman. — Their arguments amount to this: a man, that neither works nor consumes on his own account, works as little and consumes as much as he can: he has no interest in the exertion of that degree of care and intelligence, which alone can ensure success: his life is shortened by excessive labour, and his master must replace it at great expense: besides, the free workman looks after his own support; but that of the slave must be attended to by the master; and, as it is impossible for the master to do it so economically as the free workman, the labour of the slave must cost him dearer.*

This position has been controverted by the following calculation: — The annual expense of a negro in the West Indies, upon the plantations most humanely administered, does not exceed 300 *fr.*: add the interest of his prime cost, say at ten per cent., for it is a life interest; the average price of a negro is about 2000 *fr.*, so that, allowing 200 *fr.* for the annual interest, the whole expense

* Stewart (Sir Jas.). *Inquiry into the Prin. of Pol. Econ.* book ii. c. 607. Turgot. *Reflexions sur la Formation et la Distribution des Richesses*, § 23. Smith. *Wealth of Nations*, book i. c. 8. book iii. c. 2.

of a negro to his owner is but 500 *fr.* per annum (*b*), a sum doubtless much inferior to the charge of free labour in that part of the world. An ordinary free labourer may earn there 5, 6, 7 *fr.* per day, or even more. Taking the medium of 6 *fr.*, and reckoning but 300 working days in the year, the annual wages will amount to 1800 *fr.* instead of 500. *

Common sense will tell us, that the consumption of a slave must be less than that of a free workman. The master cares not if his slave enjoy life, provided he do but live; a pair of trowsers and a jacket are the whole wardrobe of the negro: his lodging a bare hut, and his food the manioc root, to which kind masters now and then add a little dried fish. A population of free workmen, taken

* It should be observed here, that the free labourers, who are so much better paid, are commonly engaged in occupations, which, though less laborious, require a greater degree of intelligence and personal skill. Tailors and watchmakers are generally freemen. And the mere existence of slavery of itself enhances the price of free field-labour, by driving all competition out of the market.

(*b*) In this calculation no account has been taken of the housing of the negro, the tools and implements supplied to him, or the clothing furnished by the master; neither does our author seem to make any allowance for the probable increase of agricultural production, which free negro labour might afford. Free European labour would doubtless be far more expensive, were it practicable. The interest of money is also estimated far too low, and the infant and the aged must be provided for by the master. T.

one with another, has women, children, and invalids to support: the ties of consanguinity, friendship, love, and gratitude, all contribute to multiply consumption; whereas, the slave-owner is often relieved by the effects of fatigue from the maintenance of the veteran: the tender age and sex enjoy little exemption from labour; and even the soft impulse of sexual attraction is subject to the avaricious calculations of the master.

What is the motive, which operates in every man's breast to counteract the impulse towards the gratification of his wants and appetites? Doubtless, the providential care of the future. Human wants and appetites have a tendency to extend,—frugality to reduce, consumption; and it is easy to conceive, that these opposite motives, working in the mind of the same individual, help to counteract each other. But, where there is master and slave, the balance must needs incline to the side of frugality; the wants and appetites operate upon the weaker party, and the motive of frugality upon the stronger. It is a well-known fact, that the net produce of an estate in St. Domingo cleared off the whole purchase-money in six years; whereas in Europe the net produce seldom exceeds the $\frac{1}{3}$ or $\frac{1}{30}$ of the purchase-money, and sometimes falls far short even of that. Smith himself elsewhere tells us, that the planters of the English islands admit, that the rum and molasses will defray the whole expenses of a sugar plantation, leaving the total produce of sugar as net proceeds; which, as he justly observes, is much the same as if our farmers were to pay their

rent and expenses with the straw only, and to make a clear profit of all the grain. Now I ask, how many products are there, that exceed the expenses of production in the same degree? (*c*)

Indeed, this very exorbitance of profit shows, that the industry of the master is paid out of all proportion with that of the slave. (*d*) To the consumer it makes no difference. One of the productive classes benefits by the depression of the rest; and that would be all, were it not that the vicious system of production, resulting from this derangement, opposes the introduction of a better plan of industry. The slave and the master are both degraded beings, incapable of approximating

(*c*) What reference can this inequality have to the relative position of the proprietor and the different productive agents one to another? It is a mere question of difference of interest of capital. Capital in the West Indies brings a return very different, in its ratio to rent or the profit of land, from what it yields in Europe. Land, the source of production, sells cheap, because of the greater unhealthiness of climate, insecurity of tenure, abundance, &c. &c. Were the whole of the land appropriated, it is probable, that the complete emancipation of the slaves would very little improve their relative condition. T.

(*d*) This may be much doubted. The intelligence of the master-agents of production must be paid very highly, where intelligence is rare, and the risk of health and other circumstances deter many from entering into competition. It is the proprietor, and not the conductor of the concern, that is disproportionately paid. But would he not be equally so, were labour quite free? The appropriators of the sources of production are always able to exact a very large proportion of the surplus produce; and the surplus produce of a West Indian plantation is very great in relation to its extent. T.

to the perfection of industry, and, by their contagion, degrading the industry of the free man, who has no slaves at his command. For labour can never be honorable, or even respectable, where it is executed by an inferior cast. The forced and unnatural superiority of the master over the slave is exhibited in the affectation of lordly indolence and inactivity: and the faculties of mind are debased in equal degree; the place of intelligence is usurped by violence and brutality.

I have been told by travellers of veracity and observation, that they consider all progress in the arts in Brazil and other settlements of America as utterly hopeless, while slavery shall continue to be tolerated. Those states of the North American Union, which have proscribed slavery, are making the largest strides towards national prosperity. The inhabitants of the slave states of Georgia and Carolina raise the best cotton in the world, but cannot work it up. During the last war with England, they were obliged to send it overland to New York to be spun into yarn. The same cotton is sent back, at a vast expense, to be consumed at the place of its original growth in a manufactured state. (e) This is a just retribution for the toleration of a practice, by which one part of man-

(e) So it is now from Hindustan, where labour is free and most abundant. Cotton will flow towards machinery, which has become too powerful for the competition of human labour, even where it is the cheapest. This is, therefore, not the effect of the toleration of slavery in those states. T.

kind is made to labour, and subjected to the severest privation, for the benefit of another. Policy is in this point in accordance with humanity. (f)

It remains yet to be explained, what are the consequences of the commercial intercourse between the colony and the mother-country, in regard to production; always taking it for granted, that the colony continues in a state of dependence; for the moment it shakes off the yoke, it has nothing colonial but its origin, and stands, in relation to the mother-country, on exactly the same footing as any other nation on the globe.

The parent-state, with a view to secure to the produce of its own soil and industry the market of colonial consumption, generally prohibits the colonists from purchasing European commodities from any one else, which enables her own merchants to sell their goods in the colony for some-

(f) Though our author has come to this correct conclusion, his reasoning is neither logical nor satisfactory; indeed, the whole of this important subject is dismissed with a precipitation little suited to its importance. There are two motives of human industry, the hope of enjoyment, and the fear of suffering. The slave is actuated principally by the latter, the free agent by the former. Neither of these motives should have been thus cursorily adverted to, in the analysis of actual production, but have been fairly set forth in the outset, immediately after the detail of the sources of production; being both of them the *stimuli*, which give activity to those sources. After all that our author and others have done, much yet remains for the organization of the science. T.

what more than they are currently worth. This is a benefit conferred on the subjects of the parent-state at the expense of the colonists, who are likewise its subjects. Considering the mother-country and the colony to be integral parts of one and the same state, the profit and loss balance each other; and this restriction is nugatory, except inasmuch as it entails the charge of an establishment of custom or excise-officers; and thus increases the national expenditure.

While, on the one hand, the colonists are obliged to buy of the mother-country, they are, on the other, compelled to sell their colonial produce exclusively to its merchants, who thus obtain an extra advantage without any creation of value, at the expense, likewise, of the colonists, by the enjoyment of an exclusive privilege, and of exemption from competition. Here, too, the profit and loss destroy each other nationally, but not individually; what a merchant of Havre or Bourdeaux gains in this way is substantial profit; but it is taken from the pockets of one or more subjects of the same state, who had equal right to have their interests attended to. It is true, indeed, that the colonists are indemnified in another way; *viz.* either by the miseries of the slave population, as we have already explained; or by the privations of the inhabitants of the mother-country, as I am about to show.

So completely is the whole system built upon compulsion, restriction, and monopoly, that these very domestic consumers are compelled to buy

what colonial articles of consumption they require exclusively from the national colonies; every other colony, and all the rest of the world, being denied the liberty of importing colonial * produce, or subjected to the payment of a heavy fine, in the shape of an import duty.

It would seem, that the home-consumer should at any rate derive an obvious benefit, in the price of colonial produce, from his exclusive right of purchasing of the colonist. But even this unjust preference is denied him; for, as soon as the produce arrives in Europe, the home-merchant is allowed to re-export and sell it where he chooses, and particularly to those nations, that have no colonies of their own; so that after all the planter is deprived of the competition of buyers, although the home-consumer is made to suffer its full effect.

All these losses fall chiefly upon the class of home-consumers, a class of all others the most important in point of number, and deserving of attention on account of the wide diffusion of the evils of any vicious system affecting it, as well as of the functions it performs in every part of the social machine, and the taxes it contributes to the public purse, wherein consists the power of the government. They may be divided into two parts; whereof the one is absorbed in the superfluous charges of raising the colonial produce, which

* Or equinoctial; the term is applied to the ordinary products of equinoctial latitudes.

might be got cheaper elsewhere *; this is a dead loss to the consumer, without gain to any body. The other part, which is also paid by the consumer, goes to make the fortunes of West-Indian planters and merchants. The wealth thus acquired is the produce of a real tax upon the people, although, being centred in few hands, it is apt to dazzle the eyes, and be mistaken for wealth of colonial and commercial acquisition. And it is for the protection of this imaginary advantage, that almost all the wars of the 18th century have been undertaken, and that the European states have thought themselves obliged to keep up, at a vast expense, civil and judicial, as well as marine and military, establishments, at the opposite extremities of the globe. †

* *Poivre*, a writer of great information and probity, assures us, that white sugar of the best quality is sold in Cochin China at the rate of 3 *piastres* or 16 *fr.* of our money per quintal of the country, which is equal to 150 *livr. poids de marc*, little more than 2 *sous* per *livr.*; and that more than 80 millions of *livr.* are thence exported annually to China at that rate. Adding 300 per cent. for the charges and profits of trade, which is a most liberal allowance, the sugar of Cochin China might, under a free trade, be sold in France at from 8 to 9 *sous* per *livr.*

The English already derive from Asia a considerable quantity both of sugar and indigo, at a cheaper rate than those of the West Indies. And, doubtless, if the Europeans were to plant independent and industrious colonies along the northern coast of Africa, the culture of equinoctial products there would rapidly gain ground, and supply Europe in greater abundance at a still cheaper rate.

† Arthur Young, in 1789, estimated the annual charge entailed on France, by the possession of St. Domingo, at 48 millions

When Poivre was appointed governor of the Isle of France, the colony had not been planted more than 50 years; yet he calculated it to have then cost France no less than 60 millions of *fr.*; to be a source of regular and large out-going; and to bring her no return of any kind whatsoever. * It is true, that the money spent on the defence of that settlement had the further object of upholding our other possessions in the East Indies; but, when we find that these latter were still more expensive both to the government and to the proprietors of the two companies, old and new, it is impossible to deny, that all we gained by keeping the Mauritius at this enormous expense was, the opportunity of a further waste in Bengal and on the coast of Coromandel.

The same observations will apply to such of our possessions in other parts of the world, as were of no importance, but in a military point of view. Should it be pretended, that these stations are kept up at a great sacrifice, not with the object of gain, but to extend and affirm the power of the mother-country, it might yet be asked, why maintain them at such loss, since this power has no

millions of *francs*. He has gone into detail to prove, that, if the sums spent on her colonies for 25 years only had been devoted to the improvement of any one of her own provinces, she would have acquired an annual addition of 120 millions of *francs*, net revenue, consisting of actual products, without loss to any body. *Vide his Journey in France.*

* *Œuvres de Poivre*, p. 209. In this estimate he takes no account of the charge of the military and marine establishment of France herself, of which a part should be set down to the colony.

other object but the preservation of the colonies, which turn out to be themselves a losing concern?*

That England has benefited immensely by the loss of her North American colonies, is a fact no one has attempted to deny. † Yet she spent the incredible sum of 1,800,000,000 *fr.*, in attempting to retain possession; a monstrous error in policy indeed; for she might have enjoyed the same benefits, that is to say, have emancipated her colonies, without expending a sixpence; besides saving a profusion of gallant blood, and gaining credit for generosity, in the eyes of Europe and of posterity. ‡

* *Vide* the Works of Benjamin Franklin, vol. ii. p. 50., for the opinion of that celebrated man, who had so much experience in these matters. I find it stated in the *Travels* of Lord Valentia, that the Cape of Good Hope, in 1802, cost England an excess of from six to seven millions of *francs* per annum above its own revenue.

† ‘Bristol was one of the chief *entrepôts* of North American commerce. Her principal merchants and inhabitants joined in a most energetic representation to parliament, that their city would be infallibly ruined, by the acknowledgment of American independence; adding, that their port would be so deserted, as not to be worth the charge of keeping up. Notwithstanding their representations, peace became a matter of necessity, and the dreaded separation was consented to. Ten years had scarcely elapsed after this event, when the same worthy persons petitioned the parliament, for leave to enlarge and deepen the port, which, instead of being deserted, as they had apprehended, was incapable of receiving the influx of additional shipping, that the commerce of independent America had given birth to.’
De Levis, Lettres Chinoises.

‡ These remarks are not altogether applicable to the British dependencies in the East; because there the nation is rather a conqueror

The blunders committed by the ministers of George III., during the whole course of the first American war, in which, indeed, they were unhappily abetted, by the corruption of the parliament and the pride of the nation, were imitated by Napoleon, in his attempt to reduce the revolted negroes of St. Domingo. Nothing but its distance and maritime position prevented that scheme from proving equally disastrous with the war of Spain. Yet, comparatively, the independence of that fine island

conqueror than a colonist, having the domination over thirty-two millions of inhabitants, and the absolute disposal of the revenue levied upon them. But the clear national profit derived from the acquisition, is by no means so considerable, as may be generally supposed; for the charges of administration and protection must be deducted. Colquhoun, in his *Treatise on the Wealth, Power, and Resources of the British Empire*, which gives an exaggerated picture of them, states the total revenue of the sovereign company, at 18,051,478*l.* sterling; and its expenditure at, 16,984,271*l.*; leaving a surplus of 1,067,207*l.* (g)

In all probability, were India in a state of national independence, the commerce between her and Great Britain would increase so much, as to produce to the latter an additional revenue, larger than the amount of that surplus, to say nothing of the increase of individual profits.

(g) The position of the British power in India, has been every way improved by the late operations; for an account of which, and of the present financial resources of the company, *vide Narrative of the late Operations*, by H. T. Prinsep. It is by no means clear, that the independence of India would, at present, produce the advantages anticipated by our author; for those advantages would depend upon its better administration, to which the natives are at present hardly competent. T.

might have been made equally productive of commercial benefit to France, as that of America had been to England.* It is high time to drop our

* When I speak of the advantage of American emancipation to Great Britain herself, I mean commercial, not political advantage. I know very well, that the latter is doomed to fall, and that by the instrumentality of her revolted offspring. But this catastrophe will not have originated in the struggle for colonial independence: but in the insubstantial and perishable basis of British, and in the solidity and progressive character of American greatness. (*h*) National power, resting upon dominion by land or sea, can never be permanent; because it arrays against itself the interests and passions of mankind: and it is utterly impossible, that any nation should henceforward enjoy external sway, so extensive, or so long-lived as that of the Romans; knowledge is too far advanced, the means of resistance too well understood, and mutual intercourse too general and too free.

(*h*) Our author seems here and elsewhere, to dwell with some satisfaction, on the prospect of the political degradation of Great Britain. But he forgets, that the same productive power, which has raised her to pre-eminence, may still uphold her, if properly directed. The sources of her greatness are natural means, operated upon by her domestic industry: her external sway is rather the index of the existence and amount, than the essence of her superiority. Neither is the basis of American greatness quite so substantial as he seems to imagine. In short, every nation has in itself the seeds of wealth and improvement, as well as of decay and impoverishment. Britain has industry, intelligence, and capital; her bane is heavy debt and taxation, aggravated by a poor-law system. America has industry and territorial extent; but she has negro-slavery, a more formidable source of mischief than any one of Britain's scourges. The southern states, which are now cultivated by negroes, will one day probably be the scene of negro dominion, and a thorn in the side of the giant republic. The sources of
national

absurd lamentations for the loss of our colonies, considered as a source of national prosperity. For, in the first place, France now enjoys a greater degree of prosperity, than while she retained her colonies ; witness the increase of her population. Before the revolution, her revenues could maintain but twenty-five millions of people : they now support thirty millions, (1819). In the second place, the first principles of political economy will teach us, that the loss of colonies by no means implies a loss of the trade with them. Wherewith did France before buy the colonial products ? with her own domestic products to be sure. Has she not since continued to buy them in the same way, though sometimes of a neutral, or even an enemy ?

I admit, that the ignorance and vices of her rulers for the time being have made her pay for those products much dearer, than she need have done : but now that she buys them at the natural price, (exclusive of course of the import duties,) and pays for them as before with her domestic products, in what way is she a loser ? Political convulsions have given a new direction to commerce ; the import of sugar and coffee is no longer

national prosperity or decay, may be checked or stimulated, re-opened or destroyed by human agency. Our author reckons with too much confidence, upon the perpetuation of ministerial folly and corruption ; and, to say the truth, both the experience of the past, and the observation of the present, fully warrant him in so doing. But the progress of intelligence in the nation, may enforce the tardy acquiescence of authority. T.

confined to Nantes and Bourdeaux; and those cities have suffered in consequence. But, as France now consumes at least as much of those articles as ever she did, all, that has not come by the way of Nantes or Bourdeaux, must needs have found its way in some other channel. France cannot have bought in any other way, than, as of old, with the products of her own land, capital, and industry; for, excepting robbery and piracy, one nation has no other means of buying of another. Indeed, France might have benefited largely by the trade, which has supplanted her old colonial commerce, had not old prejudices and erroneous notions constantly opposed the natural current of human affairs.

Perhaps it may be argued, that the colonies furnish commodities, which are no where else to be had. The nation, therefore, that should have no share of territories so highly favored by nature, would lie at the mercy of the nation, that should first get possession; for the monopoly of purchasing the colonial produce would enable her to exact her own price from her less fortunate neighbour. Now it is proved beyond all doubt, that what we erroneously call colonial produce grows every where within the tropics, where the soil is adapted to its cultivation. The spices of the Moluccas are found to answer at Cayenne, and probably by this time in many other places; and no monopoly was ever more complete, than the trade of the Dutch in that commodity. They had the sole possession of the only spice

islands, and allowed nobody else to approach them. Has Europe been in any want of spices, or has she bought them for their weight in gold? Have we any reason to regret the not having devoted two hundred years of war, fought a score of naval battles, and sacrificed some hundreds of millions, and the lives of half a million of our fellow creatures, for the paltry object of getting our pepper and cloves cheaper by some two or three *sous* a pound? And this example, it is worth while to observe, is the most favorable one for the colonial system, that could possibly be selected. One can hardly imagine the possibility of monopolizing sugar, a staple product of most parts of Asia, Africa, and America, so completely as the Dutch did the spice trade; yet has this very trade been snatched from the avaricious grasp of the monopolist nation, almost without firing a shot.

The ancients, by their system of colonization, made themselves friends all over the known world; the moderns have sought to make subjects, and therefore have made enemies. Governors, deputed by the mother-country, feel not the slightest interest in the diffusion of happiness and real wealth amongst a people, with whom they do not propose to spend their lives, to sink into privacy and retirement, or to conciliate popularity. They know their consideration in the mother-country will depend upon the fortune they return with, not upon their behaviour in office. Add to this the large discretionary power, that must unavoidably be vested in the deputed rulers of distant posses-

sions, and there will be every ingredient towards the composition of a truly detestable government.

It is to be feared, that men in power, like the rest of mankind, are too little disposed to moderation, too slow in their intellectual progress, embarrassed as it is at every step by the unceasing manœuvres of innumerable retainers, civil, military, financial, and commercial, all impelled, by interested motives, to present things in false colors, and involve the simplest questions in obscurity, to allow any reasonable hope of accelerating the downfall of a system, which for the last three or four hundred years must have wonderfully abridged the inestimable benefits, that mankind at large, in all the five great divisions of the globe*, have, or ought to have derived from the rapid progress of discovery, and the prodigious impulse given to human industry since the commencement of the sixteenth century. The silent advances of intelligence, and the irresistible tide of human affairs will alone effect its subversion.

* The vast continent of New Holland, with its surrounding islands, is now generally considered by geographers as a distinct portion of the globe, under the denomination of Australia or Austrasia, which has been given to it on account of its position exclusively within the southern hemisphere.

CHAP. XX.

OF TEMPORARY AND PERMANENT EMIGRATION CONSIDERED IN REFERENCE TO NATIONAL WEALTH.

WHEN a traveller arrives in France, and there spends 10,000 *fr.*, it must not be supposed that the whole sum is clear profit to France. The traveller expends it in exchange for the values he consumes: the effect is just the same, as if he had remained abroad, and sent to France for what he wanted, instead of coming and consuming it here; and is precisely similar to that of inter-national commerce, in which the profit made is not the whole or principal value received, but a larger or smaller per centage upon that principal, according to the circumstances.

The matter has not hitherto been viewed in this light. In the firm conviction of this maxim, that metal-money was the only item of real wealth, people imagined, that, if a foreigner came amongst them with 10,000 *fr.* in his pocket, it was so much clear profit to the nation: as if the taylor that clothes him, the jeweller that furnishes him with trinkets, the victualler that feeds him, gave him no values in exchange for his specie, but made

a profit equal to the total of their respective charges. All that the nation gains is, the profit upon its dealings with him, and upon what he purchases; and this is by no means contemptible, for every extension of commerce is a proportionate advantage*; but it is well to know its real amount, that we may not be betrayed into the folly of purchasing it too dearly. An eminent writer upon commercial topics tells us, that theatrical exhibitions cannot be too grand, too splendid, or too numerous; for that they are a kind of traffic, wherein France receives all and pays nothing; a proposition which is the very reverse of truth; for France pays, that is to say, loses, the whole expense of the exhibition, which is productive of nothing but barren amusement, and leaves no value whatever to replace what has been consumed on it. Fêtes of this description may be very pleasant things as affording amusement, but must make a ridiculous figure as a speculation of profit and loss. What would people think of a tradesman, that was to give a ball in his shop, hire performers, and hand refreshments about, with a view to benefit in his business? Besides, it may rea-

* A strange country has some advantages over the traveller, and its dealings with him may be considered as lucrative; for his ignorance of the language and of prices, and often a spice of vanity, make him pay for most of the objects of his consumption above the current rate. Besides, the public sights and exhibitions, which he there pays for seeing, are expenses already incurred by the nation, which he nowise aggravates by his presence. But these advantages, though real and positive, are very limited in amount, and must not be over-rated.

sonably be doubted, whether a fête or exhibition of the most splendid kind does in reality occasion any considerable influx of foreigners. Such an influx would be much more powerfully attracted by commerce, or by rich fragments of antiquity, or by master-pieces of art nowhere else to be seen, or by superiority of climate, or by the properties of medicinal waters, or, most of all, by the desire of visiting the scenes of memorable events, and of learning a language of extensive acceptance. I am strongly inclined to believe, that the enjoyment of a few empty pleasures of vanity has never attracted much company from any great distance. People may go a few leagues to a ball or entertainment, but will seldom make a journey for the purpose. It is extremely improbable, that the vast number of Germans, English, and Italians, who visit the capital of France in time of peace, are actuated solely by the desire of seeing the French opera at Paris. That city has fortunately many worthier objects of general curiosity. In Spain, the bull-fights are considered very curious and attractive; yet I cannot think many Frenchmen have gone all the way to Madrid to witness that diversion. Foreigners, that have already come into the country on other accounts, are indeed frequent spectators of such exhibitions; but it was not solely with this object that they first set out upon their journey. (a)

(a) This has become a matter of some interest to England, whose unproductive capitalists and proprietors have absolutely over-

The vaunted fêtes of Louis XIV. had a still more mischievous tendency. The sums spent

overwhelmed the society of France and a great part of Italy, where they consume an immense revenue, derived from Britain by the export of her manufactures without any return. Thus their native country is, *pro tanto*, a producer without being a consumer; — the scene of exertion but not of enjoyment. This circumstance, although nowise prejudicial to her productive powers, is extremely so to the comfort and enjoyment and content of her population; for there are few enjoyments so personal and selfish, as not to be diffused in some degree or other at the moment and place of consumption. Besides, the presence of the proprietor is always a benefit, especially in Great Britain, where so many public duties are gratuitously performed. Ireland suffers in a worse degree; her gentry are attracted by England as well as the continent; and the consequences have long been matter of regret and complaint. Though it might be impolitic to check this efflux by authoritative measures, it should at least not be directly encouraged and stimulated, as it really is, by the financial system, which the English ministry so obstinately persevere in. Almost the whole of the taxation is thrown immediately upon consumption; whilst the permanent sources of production and the clear rent they yield to the idle proprietor are left untouched. The proprietor has, therefore, an obvious interest, in effecting his consumption where it is least burthened with taxation; that is to say, any where but in England. His property is protected gratuitously, and the charge of its protection defrayed by the productive classes, who thus are compelled to pay for the security of other peoples' property as well as their own, and are themselves unable to imitate their unproductive countrymen, by running away from domestic taxation. A more unjust and discouraging system could not have been devised. Its evils are daily increasing, and threaten the most serious diminution of the national resources. But the ministers neither see the mischief themselves, nor will listen to the warnings of others. Many of them, indeed, have an interest in perpetuating an exemption, by which they benefit personally. T.

upon them were not supplied by foreigners, but by French provincial visitors, who often spent in a-week, as much as would have maintained their families at home for a year. So that France was two ways a loser; first, of the sums expended by the monarch, which had been levied on the subjects at large; secondly, of all that was spent by individuals. The sum total of the consumption was thrown away, that a few tradesmen of the metropolis might make their profits upon it; which they would equally have done, had their industry and capital taken a more beneficial direction.

A stranger, that comes into a country to settle there, and brings his fortune along with him, is a substantial acquisition to the nation. There is in this case an accession of two sources of wealth, industry and capital: an accession of full as much value, as the acquirement of a proportionate extension of territory; to say nothing of what is gained in a moral estimate, if the emigrant bring with him private virtue and attachment to the place of his adoption. "When Frederick William came into the regency," says the royal historian of the house of Brandenburg, "there was in the country no manufacture of hats, of stockings, of serge, or woollen stuff of any kind. All these commodities were derived from French industry. The French emigrants introduced amongst us the making of broad-cloths, baizes and lighter woollens, of caps, of stockings wove in the frame, of hats of beaver and felt, as well as dyeing in all its branches. Some refugees of that nation established them-

selves in trade, and retailed the products of their industrious countrymen. Berlin soon could boast of its goldsmiths, jewellers, watch-makers, and carvers ; those of the emigrants, that settled in the low country, introduced the cultivation of tobacco, and of garden fruits and vegetables, and by their exertions converted the sandy tract in the environs into capital kitchen-garden grounds.”

This emigration of industry, capital, and local attachment, is no less a dead and total loss to the country thus abandoned, than it is a clear gain to the country affording an asylum. It was justly observed by Christina, queen of Sweden, upon the revocation of the edict of Nantes, that Louis XIV. had used his right hand to cut off his left.

Nor can the calamity be prevented by any measures of legal coercion. A fellow-citizen cannot be forcibly retained, unless he be absolutely incarcerated ; still less can he be prevented from exporting his moveable property, if he be so inclined. For, putting out of the question the channel of contraband, which can never be closed altogether, he may convert his effects into goods, whose export is tolerated or even encouraged, and consign, or cause them to be consigned, to some correspondent abroad. This export is a real outgoing of value : but how is it possible for government to ascertain, that it is intended to be followed by no return ? *

* In 1790, when the new authorities of France indemnified the holders of suppressed offices in paper-money, these discarded functionaries for the most part converted their *assignâts* into

The best mode of retaining and attracting mankind is, to treat them with justice and benevolence ; to protect every one in the enjoyment of the rights he regards with the highest reverence ; to allow the free disposition of person and property, the liberty of continuing or changing his residence, of speaking, reading, and writing in perfect security. (*b*)

Having thus investigated the means of production, and pointed out the circumstances, that ren-

into specie, or other commodities of equal value, which they took or sent out of the country. The consequent national loss to France was nearly as great, as if they had received their indemnities in cash ; for its paper representative had not then suffered any material depreciation. Even when the individual remains himself in the country, he cannot be prevented from transferring his fortune thence, if he be determined upon so doing.

(*b*) England enjoys all these in a higher degree than any country in Europe ; yet they are all more than counterbalanced by the severity and iniquity of taxation, as appears by the large efflux of all the classes not retained by local ties. Taxation under a free government may prove equally harassing with the oppression of a despotic one. But it may be doubted, whether Englishmen would in such numbers exchange the tyranny of taxation for the inferior liberty of foreign society, were they not actually more favored abroad, and allowed a greater licence, than even the native population. At all events, the English government has the power of turning the tide, and bringing back the majority of the fugitives, by changing the form of its taxation, and transferring its pressure from floating to fixed property, which cannot emigrate : in short, by relieving consumption, and taxing the clear revenue of the appropriated sources of production. *Vide supra*, note (*a*), p. 335. T.

der their agency more or less prolific, it would be endless, as well as foreign to my subject, to attempt a general review of all the various products, that compose the wealth of mankind: such a task would furnish materials for many distinct treatises. But there is one amongst these products, the uses and nature of which is very imperfectly known, although the knowledge of them would throw much light upon the matter now under discussion: for which reason I have determined, before the conclusion of this part of my work, to give a separate consideration to the product, money, which acts so prominent a part in the business of production, in the character of the principal agent of exchange and transfer.

CHAP. XXI.

OF THE NATURE AND USES OF MONEY. (a)

SECT I.

General Remarks.

IN a society ever so little advanced in civilization, no single individual produces all that is necessary to satisfy his own wants; and it is rarely that an

(a) With this subject, the frequent discussions in and out of Parliament, have made the English reader more familiar, than with any other head of political science. The translator had occasion, three years ago, to publish a short Essay on money, towards which he found our author of the greatest assistance; but was reluctantly compelled to differ in his conclusions in some very material points. The chief cause of variance was, the imperfect notion he seems to entertain of the origin and ingredients of value, an imperfection that runs through, and partially vitiates, the whole of his work. With every wish to avoid the appearance of an indirect recommendation of his own opinions, the translator is obliged to refer the reader to that Essay, for a fuller explanation of the imperfection alluded to, and of the resulting errors in the consideration of the properties of money, and of its representative. Some of the most

individual, by his single exertion, creates even any single product; but even if he does, his wants are not limited to that single article; they are numerous and various, and he must, therefore, procure all other objects of his personal consumption, by exchanging the overplus of the single product he himself creates beyond his own wants, for such other products as he stands in need of. And, by the way, it is observable, that, since individual producers, in every line, keep for their own use but a very small part of their own products; the gardener of the vegetables he raises, the baker of the bread he bakes, the shoemaker of the shoes he makes, and so of all others; the great bulk, nay, almost the whole of the products of every community, arrive at consumption by the medium of exchange.

This is the reason, why it has been erroneously concluded, that exchange and transfer are the basis and origin of the production of wealth, and of commerce in particular (*b*); whereas, they are only secondary and accessory circumstances; in-

glaring defects have been corrected in the later editions, in which the translator has been flattered by observing a near approximation to his own views, especially on the subject of paper-money, and its substantive character. But there are still some remaining inaccuracies, which can only be adverted to very shortly in the form of notes. T.

(*b*) They are, in fact, the basis of commerce, whose whole business and occupation it is, to execute the exchange and transfer, internally and externally, individually and internationally. T.

asmuch as, were each family to raise the whole of the objects of its own consumption, as we see practised in some instances in the back settlements of the United States, society might continue to exist, without a single act of exchange or transfer. I make this remark, merely with a view to correctness of first principles, without any design to detract from the importance of exchange and transfer, to the progressive advance of production ; indeed, I set out with the position, that they are indispensable in an advanced stage of civilization.

Admitting, then, the necessity of interchange, let us pause a moment, and consider, what infinite confusion and difficulty must arise to all the different component members of society, who are for the most part producers of but a single article, or two or three at the utmost, but of whom even the poorest is a consumer of a vast number of different products ; I say, what difficulty must ensue, were every one obliged to exchange his own products specifically for those he may want ; and were the whole of this process carried on by a barter in kind. The hungry cutler must offer the baker his knives for bread ; perhaps, the baker has knives enough, but wants a coat ; he is willing to purchase one of the taylor with his bread, but the taylor wants not bread, but butcher's meat ; and so on to infinity.

By way of getting over this difficulty, the cutler, finding he cannot persuade the baker to take an article he does not want, will use his best endeavours to have a commodity to offer, which the

baker will be able readily to exchange again for whatever he may happen to need. If there exist in the society any specific commodity, that is in request, not merely on account of its inherent utility, but likewise on account of the readiness, with which it is received in exchange for the necessary items of consumption, and the facility of proportionate subdivision, that commodity is precisely what the cutler will try to barter his knives for; because he has learnt from experience, that its possession will procure him without any difficulty, by a second act of exchange, bread or any other article he may wish for.

Now money is precisely that commodity.

The two qualities, that give a general preference of value, in the shape of the current money of the country, to the same amount of value in any other shape, are: —

1. The aptitude, in the character of an intermediary object of exchange, to help all who have any exchange or any purchase to make, that is to say, every member of the community, towards the specific object of desire. The general confidence, that money is a commodity acceptable to every body, inspires the assurance of being able, by one act of exchange only, to procure the immediate object of desire, whatever it may be; whereas, the possessor of any other commodity can never be sure, that it will be acceptable to the possessor of that particular object of desire.

2. The capability of subdivision and precise apportionment to the amount of the intended pur-

chase; which capability is a recommendation to all, who have purchases to make; in other words, to every member of the community. Every one is, therefore, anxious to barter for money the product whereof he holds a superfluity, and which is commonly that he himself produces; because, in addition to the other quality above stated, he feels sure of being able to buy with its value in that shape as small or as large a portion of corresponding value, as he may require; and because he may buy, whenever and wherever he pleases, such objects as he may desire to have, in lieu of the product he has sold originally. (c)

In a very advanced stage of civilization, when individual wants have become various and numerous, and productive operations very much subdivided, exchanges become a matter of more urgent neces-

(c) These two qualities are not very judiciously classed together. The first is the essential and distinguishing property of money, inseparable from that peculiar character, and wherein consists its whole and sole utility. The second is one of the qualities of the material, whereof money is composed; and a quality that particularly recommends it for selection to execute the functions of money. That it is not essential to the character of *money*, but a mere recommendatory quality of its *material*, is evident from the circumstance, that whatever metal has been selected by a nation, as the material of its money, has required some auxiliary metal for the convenience of subdivision and apportionment; which auxiliary metal has never been made the national money, except for minute or fractional exchanges. In his own view of the subject, the translator has endeavoured to draw this distinction. T.

sity, as well as much more frequent and more complicated ; and personal consumption and barter in kind become less practicable. For instance, if a man makes, not the whole knife, but the handle of it only, as in fact is the case in towns, where cutlery is conducted on a large scale, he does not produce any thing that he can turn to account ; for what could he do with the handle without the blade ? He cannot himself consume the smallest part of his own product, but must unavoidably exchange the whole of it for the necessities or conveniences of life, for bread, meat, linen, &c. But neither baker, butcher, nor weaver, can ever stand in need of an article, that is fit for nobody but the finishing cutler, who cannot himself give either bread or meat in exchange, because he produces neither ; and who must, therefore, give some one commodity, that, by the custom of the country, may be expected to pass currently in exchange for most others.

Thus, money is the more requisite, the more civilized a nation is, and the further it has carried the division of labour. (*d*) Ye thistory contains

(*d*) The utility of money is intense, in the compound ratio of the division of labour and the variety of individual consumption. A sugar colony in the West Indies, though highly productive in proportion to its population, requires little money to facilitate the transfer of the produce ; because the bulk of the population, the negroes, have very little variety of consumption : they are fed, clothed, &c. in the wholesale, and in the plainest and most uniform manner. Yet, possibly, the division both of agricultural and manufacturing labour on each plantation may be carried to considerable length. T.

precedents of considerable states, in which the use of any specific article, as money, was utterly unknown; as we are told it was among the Mexicans at the time of the discovery. We are informed, that, just about the period of their conquest by the Spanish adventurers, they were beginning to employ the cocoa-nut as money, in the smaller transactions of commerce. *

I have referred to custom, and not to the authority of government, the choice of the particular article that is to act as money in preference to every other: for, though a government may coin what it pleases to call crowns, it does not oblige the subject to give his goods in exchange for these crowns, at least not where property is at all respected. Nor is it the mere impression, that makes people consent to take this coin in exchange for other products. Money passes current like any other commodity; and people may at liberty barter one article for another in kind, or for gold in bars, or silver bullion. The sole reason, why a man elects to receive the coin in preference to every other article, is, because he has learnt from experience, that it is preferred by those, whose products he has occasion to purchase. Crown pieces derive their circulation as money from no other authority, than this spontaneous preference: and if there were the least ground for supposing, that any other commodity, as wheat, for instance, would pass more currently in exchange for what they calculate upon wanting themselves,

* *Raynal, Hist. Phil. et Pol. lib. vi.*

people would not give their goods for crown pieces, but would demand wheat, which would then be invested with all the properties of money. And this has occurred occasionally in practice, where the authorised or government money has consisted of paper destitute of credit or public confidence.

Custom, therefore, and not the mandate of authority (*e*), designates the specific product, that

(*e*) This position of our author is not correct to the full extent. Authority must, indeed, make choice of some material suited to the circumstances of the nation; otherwise the authorised money will be inoperative, as in the case of Lacedæmon, *infra*, Sect. 2. But it is not compelled to follow blindly the choice of custom. When Parliament, by the Act of Restriction, made the Bank of England paper inconvertible, and thereby constituted it the authorised, though not technically the legal, money of the nation, it cannot be said, that custom had made choice of the inconvertible paper, although it had prepared the public mind for the use of it. And so it is with all inconvertible paper-money; and paper-money, in the strict sense, must be inconvertible. The power of a government to select arbitrarily, as in this case, the material of its money, depends materially upon the frequency and amount of its dealings with individuals. In England, the whole paper-money has passed through the hands of government two, three, four times in the year. It may easily be imagined, that any substance, received at par by the government itself, must, under such circumstances, obtain very general currency, and very great value with the individuals of the nation at large. It may also be observed, that the use of paper credit, both public and private, had become very general, before it was attempted to introduce an inconvertible paper-money. Indeed, it may reasonably be doubted, whether paper-money can ever be established, until credit, the rival of money in the business of facilitation of transfer, has become almost universal in the nation. T.

shall pass exclusively as money, whether crown pieces or any other commodity whatever. *

The more frequent recurrence of the exchange of every individual product for the commodity, money, than for any other product, has attached particular names to this transaction; thus, to receive money in exchange is called, *selling*, and to give it, *buying*.

In this way originated the use of money. These positions are by no means purely speculative; for on them must all arguments, and laws, and regulations, on the subject of money, be grounded. A system built upon any other foundation can possess neither beauty nor solidity, and must fail to fulfil the object of its construction.

With the view of throwing the utmost possible light upon the essential properties of money, and the principal contingencies it is subject to, I shall

* When the intercourse between the Europeans and the negroes of the river Gambia first commenced, the commodity most in request with them was iron, for the purposes of war and of tillage. Iron, therefore, became the standard of comparison of value. In a little time, it became a mere nominal standard in their mercantile dealings; and a *bar* of tobacco, consisting of 20 or 30 leaves of that herb, was given for a *bar* of rum, consisting of four or five pints, according to the abundance or scarcity of the article. In such a state of society, each product successively performs the functions of money, in reference to all other products; which leaves the community subject to all the inconveniences of barter in kind, the chief of which is, the inability to offer any one article in general request and acceptance, and capable of ready apportionment in amount to other commodities at large. *Vide, Travels of Mungo Park, vol. i. c. 2.*

treat of these particulars in separate sections, and endeavour to enable such, as may give me their attention, to follow with ease the chain of connection, notwithstanding that classification ; and themselves to arrange in one comprehensive view the whole play of the mechanism, and the causes of that derangement, which human folly or misfortune may occasionally effect.

SECT. II.

Of the Material of Money.

IF, as it would appear by the reasoning in the preceding section, money be employed as a mere intermediary object of exchange between an object in possession and the object of desire, the choice of its material is of no great importance. Money is not desired as an object of food, of household use, or of personal covering, but for the purpose of re-sale, as it were, and re-exchange for some object of utility, after having been originally received in exchange for one such already. Money is, therefore, not an object of consumption; it passes through the hands without sensible diminution or injury; and may perform its office equally well, whether its material be gold or silver, leather or paper.

Yet, to enable it to execute its functions, it must of necessity be possessed of inherent and positive value; for no man will be content to resign an object possessed of value, in exchange for another of less value, or of none at all.

There are some other less essential requisites, which add to its efficacy. A material, wherein these are not combined, is unfit for the purpose, and cannot hope to engross its functions either generally or permanently.

We are told by Homer, that the armour of Diomede had cost nine oxen. A warrior, that wished to arm himself at half the price, must have been puzzled to pay four oxen and a half. Wherefore, the article employed as money must be capable of being readily and without injury apportioned to the different objects of desire, and subdivided in such manner, as to admit of exchanges of the exact amount required.

Again, we read, that, in Abyssinia, they make use of salt for money. If the same custom prevailed in France, a man must take a mountain of salt to market to pay for his weekly provisions. Wherefore, the commodity employed as money must not be so abundant, as to make it necessary to transfer a large quantity, on each recurring act of exchange.

At Newfoundland, it is said, that dried cod performs the office of money; and Smith makes mention of a village in Scotland, where nails are made use of for that purpose.* Besides many other inconveniences, that substances of this nature are subject to, there is this grand objection, that the quantity may be enlarged almost at pleasure, and in a very short space of time, and thereby a

* *Wealth of Nations*, book i. c. 4.

vast fluctuation effected in their relative value. But who would readily accept in exchange an article, that might, perhaps, in a few moments lose the half or three-fourths of its value? Wherefore, the commodity employed as money must be of such difficult acquisition, as to ensure those who take it from the danger of sudden depreciation.

In the Maldivé Islands, and in some parts of India and Africa, shells, called *cowris*, are employed as money, although they have no intrinsic value, except that they serve for ornament to some rude tribes. This kind of money would never do for nations, that carry on trade with many parts of the globe; a medium of exchange of such very limited circulation would offer insuperable objections. It is natural for people to receive most willingly in exchange that article, which is the most universally received in like manner by other people in their turn.

We need not, then, be surprised, that almost all the commercial nations of the world should have selected metal to perform the office of money; when once the more industrious and commercial communities had declared their choice, all the rest had an evident inducement to follow their example.

At times, when the metals now most abundantly produced were yet rare, people were content to make use of them for the purpose. The legal currency of Lacedemon was of iron; that of the early Romans of copper. In proportion as those metals were extracted from the earth in greater quantity, they became liable to the objection above

stated in respect to all products of too little comparative value *; and it is long since the precious metals, that is to say, gold and silver, have been almost universally adopted. To this use they are particularly applicable :

1. As being divisible into extremely minute portions, and capable of re-union, without any sensible loss of weight or value ; so that the quantity may be easily apportioned to the value of the article of purchase.

2. The precious metals have a sameness of quality all over the world. One grain of pure gold is exactly similar to another, whether it came from the mines of Europe or of America, or from the sands of Africa. Time, weather, and damp, have no power to alter the quality ; the relative weight of any specific portion, therefore, determines at once its relative quantity and value to every other portion : two grains of gold are worth exactly twice as much as one.

3. Gold and silver, especially with the mixture of alloy, that they admit of, are hard enough to resist very considerable friction, and are therefore fitted for rapid circulation, though, indeed, in this

* The money of Lacedemon is a proof of the position, that public authority is incompetent of itself to give currency to its money. The laws of Lycurgus directed the money to be made of iron, purposely to prevent its being easily hoarded, or transferred in large quantities ; but they were inoperative, because they went to defeat these, the principal purposes of money. Yet no legislator was ever more rigidly obeyed than Lycurgus.

respect, they are inferior to many kinds of precious stones.

4. Their rarity and consequent dearness is not so great, that the quantity of gold or of silver, equivalent to the generality of goods, is too minute for ordinary perception; nor, on the other hand, are they so abundant and cheap, as to make a large value amount to a great weight. It is possible, that, in progress of time, they may become liable to objection on this score; especially if new and rich veins of ore should be discovered: and then mankind must have recourse to platina, or some other yet unknown metal, for the purposes of currency. (*f*)

Lastly, gold and silver are capable of receiving a stamp or impression, certifying the weight of the piece, and the degree of its purity.

Although the precious metals used for money

(*f*) At present, gold is of value too intense, and silver of value too diffuse, to do without mutual aid; and both together require a still further auxiliary for minute and fractional exchanges. Our author seems not to rank the quality of unity amongst the requisites of money, although it is now universally admitted by political economists; and the inconvenience of a double medium, or a medium consisting of two concurrent metals, has been satisfactorily established. *Vide infra*, sect. 8. With regard to the necessity of adopting some other metal, there is not even a remote probability at present, for the precious metals are actually rising in relative value. Besides, it is far more likely, that the commercial world should discard metallic money, and learn to substitute a medium, deriving its value from public credit, employed with skill and integrity. T.

have generally some mixture of baser metal, generally of copper, by way of alloy, the value of the baser metal, thus incorporated, is reckoned for nothing. Not that the alloy is itself destitute of value; but because the operation of disuniting it from the purer metal, would cost more than it would be worth, after it was extracted. For this reason, a piece of coined gold or silver, mixed with alloy, is estimated by the quantity of precious metal only contained in it. *

SECT. III.

Of the Accession of Value a Commodity receives by being vested with the character of Money.

FROM the foregoing sections it will appear, that money is indebted for its currency, not to the authority of the government, but to its being a commodity bearing a peculiar and intrinsic

* The present silver coin of France contains one part copper, to nine parts fine silver: the relative value of copper to silver being as 1 to 60, or thereabouts. So that the copper contained in the whole silver coinage, amounts to about $\frac{1}{60}$ of the total value of the silver coin, or 1 cent. in 6 fr. Supposing it were attempted to disengage the copper, it would not pay the expenses of the process of separation; to say nothing of the value of the impression, that must be destroyed. Wherefore, it is reckoned for nothing in the valuation of the coin. A piece of 5 fr. presents the idea of the $22\frac{1}{2}$ grammes of fine silver contained in it, though actually weighing 25 gr., inclusive of the alloy.

value. (*g*) But its preference, as an object of exchange, to all other commodities of equivalent value, is owing to its characteristic properties as money; and to the peculiar advantage it derives from its employment in that character; namely, the advantage of being in universal use and request. The whole population, from the lowest degree of poverty to the highest of wealth, must effect exchanges, must buy the objects of want, must be consumers of money; or, in other words, must obtain possession of the commodity, that acts as the medium of exchange, the commodity generally admitted to be best suited, and most frequently employed for that purpose. A man, that has any other commodity, jewels for instance, to offer in exchange for the necessities or luxuries he may have occasion for, cannot get those necessities or luxuries by the process of exchange, until he has found a consumer for his jewels; nor can he even then be sure, that such a consumer will be able to give him, in return, the very identical article he may want: whereas, a man, with money in his pocket, is quite certain, that it will be acceptable to the person, of whom he would buy any thing; because that person will, in turn, be himself obliged

(*g*) To inconvertible paper money, this can, of course, never apply. And if, as is most certain, such money ever can be established, it is quite clear, that its currency is nowise owing to any peculiar or intrinsic value in the commodity, paper, but must be wholly referable to the authority that creates and issues it. *Vide suprà, in notis, p. 348.*

to become a purchaser in like manner.* With the commodity, money, he can obtain all he wants by a single act of exchange only, called a purchase; whereas, with all others, two acts at least are necessary; a sale and a purchase. This is the sum total of its advantages in the character of money: but it must be obvious to every body, that the preference, thus shown it as money, is a consequence of its actual use as such.

I must here observe, that the adoption of any specific commodity to serve as money considerably augments its intrinsic value, or value as an article of commerce. A new use being discovered for the commodity, it unavoidably becomes more in request; the employment of a great part, the half or perhaps three-fourths of the whole stock of it on hand, in this new way cannot fail to render the whole more scarce and dear. (*h*)

Were the actually existing stock of silver and gold applied to no other use, than the fabrication of plate or ornaments, the quantity would be abundant and much cheaper than it is at present; that is to say, whenever they were exchanged for other commodities, more of them would be given or received

* The other property of money, the capability of subdivision, and apportionment of the value parted with, must not be lost sight of: by it the jeweller is enabled to exchange a minute portion of his precious commodity for the smallest item of his household expenditure.

(*h*) This point has been well observed upon by *Turgot*. *Refl. sur la Form. et Distrib. des Rich.*

in proportion to the value obtained in exchange. But a large portion of these metals being destined to act as money, and exclusively occupied in that way, there is less remaining to be manufactured into jewellery and plate, and the scarcity of course adds to the value. On the other hand, if they were never used in plate or jewellery, there would be more of them applicable to the purpose of money, and money would grow cheaper, that is to say, more of it would be necessary to purchase an equal quantity of goods. The employment of the precious metals in manufacture makes them scarcer and dearer as money; in like manner as their employment as money makes them scarcer and dearer in manufacture.*

Hence it naturally follows, that these metals being, by reason of their employment as money, raised to such a price, as precludes their so general

* Ricardo and some other writers maintain, that the charges of obtaining the metal wholly determine its price or relative value in exchange for all other commodities. According to their notions, therefore, the want or demand nowise influences that price; a position in direct contradiction to daily and indisputable experience, which leads us invariably to the conclusion, that value is increased by increase of demand. Supposing that, by the discovery of new mines, silver were to become as common as copper, it would be subject to all the disqualifications of copper for the purposes of money, and gold would be more generally employed. The consequent increase of the demand for gold would increase the intensity of its value; and mines would be worked, that now are abandoned, because they do not defray the expense. It is true, that the ore would then be obtained at a heavier rate; but will any one deny, that the increased value of the metal would be owing to the increased

use in the form of plate and jewellery, it is in consequence found less convenient to use them in that form. The luxury costs more than it is worth. Thus, massive gold plate has gone completely out of fashion, particularly in those countries, where the

creased demand for it? It is the increased intensity of that demand, that determines the miner to incur the increased charge of production. (i)

(i) In the charge of production, Ricardo includes that of bringing the metal to the scene of ultimate use and consumption. It is worth while here to observe, that our author refers the value of commodities wholly, or nearly so, to their utility; Ricardo, to their difficulty of attainment: even Malthus, who had the advantage of both their reasonings, has not clearly defined the nature and ingredients of value, which can never exist without the combination of utility and difficulty of attainment, in some degree or other of intensity. The latter circumstance is, indeed, the more obvious, as well as, perhaps, the preponderating measure of human estimation. A man consents to give more or less for an object of desire, in proportion to the greater or less difficulty of its acquirement by himself; but he must have felt the desire, which must have originated in real or imaginary utility. Another circumstance deserves attention; viz. that intense utility, with moderate difficulty of acquirement, never confers intense value; whereas, intense difficulty of attainment has been found to confer intense value, where the utility has been inconsiderable. Water, an object of the most intense utility, has never been invested with intense value, even in the most crowded cities, where it is an object of appropriation and of human production, by means of conduits and the like; for its difficulty of attainment is never permanently intense. But diamonds often possess the most intense value, on account of the intensity of that difficulty, though invested with a very moderate ratio of utility. T.

activity of commerce, and the rapid progress of wealth, make gold in great demand for the purposes of money. The richest individuals content themselves with gilt plate, that is to say, plate covered with a very thin coat of gold; solid gold is used only in smaller articles of manufacture, and those in which the value of the workmanship exceeds that of the metal. In England, plate is made very light, and people of affluence often content themselves with silver-plated goods. The ostentation of displaying a large service of that metal costs the interest of a considerable capital.

The increase of the value of metals is, generally speaking, attended with some disadvantages; inasmuch as it places many articles of comfort and convenience, silver dishes, spoons, &c. beyond the reach of most private families; but there is no disadvantage in such increased value of the metal in its character of money; on the contrary, there is a greater convenience in the transfer of a less bulky commodity, on every change of residence, and every act of exchange.

The selection of any commodity, to act as money in but one part of the world, increases its value every where else. There is no doubt, that, if silver should cease to be current as money in Asia, the value of that metal in Europe would be affected, and more of it would be given in exchange for all other commodities; for one use of silver in Europe is, the possibility of exporting it to Asia.

The employment of the precious metals as money by no means renders their value stationary;

they remain subject to local as well as temporary fluctuations of value, like every other object of commerce. In China, half an ounce of silver will purchase as many objects of use or pleasure as an ounce in France; and an ounce of silver in France will generally go much farther in the purchase of commodities, than it will in America. Silver is more valuable in China than in France, and in France than in America.

Thus money, or specie, as some people call it, is a commodity, whose value is determined by the same general rules, as that of all other commodities; that is to say, rises and falls in proportion to the relative demand and supply. And so intense is that demand, as to have sometimes been sufficient to make paper, employed as money, equal in value to gold of the same denomination; of which the money of Great Britain is a present example.

It must not be imagined, that the paper-money of that country derives its value from the promise of payment in specie, which it purports to convey. That promise has been held out ever since the suspension of cash payments by the Bank in 1797, without any attempt at performance, which many people consider impossible.* Gold is only pro-

* Before the Bank of England can pay off its notes in cash, the government, its principal debtor, must discharge its debt in specie; which it cannot do, unless it purchase the specie, either with its savings, or with the proceeds of further taxation. In doing so, it would, in effect, substitute a new and very costly engine of circulation, which must be purchased by the state, for the present one, which, although much out of order,

curable piecemeal, and by payment of an agio or per centage; in other words, by giving a larger

order, and altogether destitute of intrinsic value, is yet made to do the business well enough. (*k*)

(*k*) This short note is well deserving the attention of the English reader, and gives a view of the question now at issue between the bullionists and the anti-bullionists, the disciples of Ricardo and the partisans of the practical system, equally just and brief. England is about to return to a metallic currency, perhaps without being fully aware, that the whole of the metallic medium, however circuitously introduced, must ultimately be provided at the national expense; for it is truly a national concern. The whole prime cost of the metal, *plus* the charge of coinage, must be defrayed by the state, and will entail an annual charge of the interest, *plus* the wear and tear. It is for her to consider, whether she will incur this addition to her present burthens, whose pressure upon her production is allowed to be most calamitous. It is, besides, to be considered, that her national burthens will be still further aggravated, by the reflux of depreciation and consequent fall of money prices, which must inevitably follow the restoration of a metallic currency; or, which is the same thing, the restoration of convertibility to the paper. The very attempt will still further elevate the real value of the precious metal, raised as it is already by the similar and simultaneous attempts of other nations, as well as by the interruption of the American supplies. The translator has, from the commencement of the discussion, strenuously contended for the rejection of the scheme, as both ruinous and unnecessary. Ruinous it has proved already, and will probably be in a still further degree, when in full operation. Unnecessary it is, because, as our author observes, the present engine does the work. It is doubtless defective; why? Because it has been wretchedly managed:—expanded and contracted according to the caprice of directors and chancellors of the exchequer, without any reference to the wants of circulation; and worked for the profit, not of the state, which erected and
sup-

amount in paper for a smaller amount in gold. Yet the paper, though depreciated, is invested with value far exceeding that of its flimsy material. Whence, then, is that value derived? From the urgent want, in a very advanced stage of society and of industry, of some agent or medium of exchange. England, in its actual state, requires, for the effectuation of its sales and purchases, an agent or medium equal in value, say to 1,284,000 lbs. weight of gold; or, what is the same thing, to 1,200,000,000 lbs. weight of sugar; or, what is still the same thing, to 60,000,000l. sterling of paper, taking the Bank of England paper at 30 millions, and the paper of the country banks at as much more. (1) This is the reason, why the 60 millions

supported it, but of the privileged company, which had never bargained for inconvertibility, and had no pretence for pocketing the best part of the profits of it. But, surely, this mismanagement might have been corrected, without the utter destruction of the engine, and the erection of a new one so costly and ruinous. And what is the avowed object of the change? Why, to prevent mismanagement in future. Yet, what assurance is there, that the same power, which mismanaged the paper, will not mismanage the metallic medium? Nay, what assurance is there, that convertibility will not be, — must not be, again suspended, on the first occurrence of disaster, of foreign war or domestic scarcity? England will then exhibit the ridiculous anomaly, of employing a medium founded on public credit, when that credit is necessarily at the lowest ebb; and discarding it at the moment, when that credit is at the flood. T.

(1) It must not be supposed, that our author is ignorant of the wide difference between Bank of England and country bank paper; viz. that the one is paper-money, the principal; the other, its convertible representative. This position is perfectly correct.

of paper, though destitute of intrinsic value, are, by the mere want of a medium of exchange, made equal in value to 1,284,000 lbs. weight of gold, or 1,200,000,000 lbs. weight of sugar.

As a proof, that this paper has a peculiar and inherent value, when its credit was the same as at present, and its volume or nominal amount was enlarged, its value fell in proportion to the enlargement, just like that of any other commodity. And, as all other commodities rose in price, in proportion to the depreciation of the paper, its total value never exceeded the same amount of 1,284,000 lbs. weight of gold, or, 1,200,000,000 lbs. weight of sugar. Why? Because the business of circulating all the values of England required no larger value. No government has the power of increasing the total national money otherwise than nominally. The increased quantity of the whole reduces the value of every part; and *vice versa*. * (m)

* For the consequences of an excessive issue of paper-money, *vide infra*, Chap. 22. sect. 4., where the subject of paper-money is discussed.

correct. The credit, embodied, as it were, in the provincial paper, is equally an agent of circulation with the inconvertible principal, the paper-money; which, but for its presence and rivalry, would be required in double the quantity, to maintain the same scale of money-prices. Great confusion has hitherto prevailed on this subject, for want of a clear conception of the concurrent operation of money and its rival, credit. T.

(m) The whole of this passage, regarding the paper currency of England, is an interpolation since the prior (third) edition, and

Since the national money, whatever be its material, must have a peculiar and inherent value, originating in its employment in that character, it forms an item of national wealth, in the same manner as sugar, indigo, wheat, and all the other commodities, that the nation may happen to possess.* It fluctuates in value like other commodities; and like them too is consumed, though less rapidly than most of them. Wherefore, it would be wrong to subscribe to the opinion of Garnier(o),

* The multiplication of a paper-money, and its consequent depreciation, effects no augmentation of the wealth of the community (n), although it makes necessary a more liberal use of figures in the estimation; just in the same way as its valuation in wheat instead of silver would do. The total of national wealth might be 20,000,000,000 *kilogr.* of wheat, and but 25,000,000 *kilogr.* of silver, and yet the value precisely the same. If the value of the money be less intense, it will require more of it to express the same degree of value.

and strongly confirms the positions, which the translator had himself attempted to establish. But it is difficult to reconcile what is here laid down with our author's former assertion; viz. that the choice of the material of money is always made by customary consent. A correct view of the nature and ingredients of value, would have prevented this contradiction, which will probably not deface future editions. Our author has profited so largely by his observation of English affairs, and his acquaintance with English writers, that we may hope he will amend those inaccuracies, which English experience may suggest. T.

(n) But it has a tendency to act as a stimulus and means of augmentation, for the reason stated *suprà*, p. 222. *in notis*.

(o) *Garnier de Saintes*, translator of the *Wealth of Nations*.

who lays it down as a maxim, that, 'so long as silver remains in the shape of money, it is not an item of actual wealth in the strict sense of the word; for it does not directly and immediately satisfy a want, or procure an enjoyment.' There are abundance of values incapable of satisfying a want, or procuring an enjoyment in their present existing shape. A merchant may have his warehouse full of indigo, which is of no use in its actual state, either as food or as clothing; yet it is nevertheless an item of wealth, and one, that can be converted at will, into another value fit for immediate use. Silver, in the shape of crown pieces, is, therefore, equally an article of wealth with indigo in chests. Besides, is not the utility of money an object of desire in civilized society?

Indeed, the same writer elsewhere admits, that, 'specie in the coffers of an individual is real wealth, an integral part of his substance, which he may immediately devote to his personal enjoyment; although, in the eye of political economy, this same coin is a mere instrument of exchange, essentially differing from the wealth it helps to circulate.'* I hope what I have said is quite sufficient to show the complete analogy of specie to all other items of wealth. Whatever is wealth to an individual, is wealth to the nation, which is but an aggregate of many individuals; and is wealth also in the eye of political economy, which must not be misled by

* *Abregé des Principes d'Economie Publique*, 1re partie. c. 4., and the advertisement prefixed.

the notion of imaginary value, or regard as value any thing, but what all the members of the community, individually, as well as jointly, treat as value, not nominal, but actual. And this is one proof more, that there are not two kinds of truth in this, more than in any other science. What is true to an individual, is true to the government, and to the community. Truth is uniform ; in the application only can there be any variety.

SECT. IV.

Of the Utility of Coinage, and of the Charge of its Execution.

No mention has hitherto been made of the value, that money derives from the impression and coinage. I have merely pointed out the various utility of gold and silver as articles of commerce, wherein originates their value ; and considered their fitness to act as money, as part of that utility.

Wherever gold and silver act as money, they must of course be constantly passing from hand to hand. Most people buy or sell several times a day ; judge, then, what inconvenience must ensue, were it necessary to be always provided with scales to weigh the money paid or received ; and what infinite blunders and disputes must arise from awkwardness or defective implements. Nor is this all ; gold and silver can be compounded with other metals without any visible alteration. The degree of purity cannot be exactly ascertained,

without a delicate and complex chemical process. The transactions of exchange are wonderfully facilitated, when the weight and standard of each piece of money is denoted by an impression, that nobody can mistake.

Metals are reduced to an established standard, and divided into pieces of an established weight, by the art of coining.

The government of each state usually reserves to itself the exclusive exercise of this branch of manufacture; whether with a view of gaining somewhat more by the monopoly, than it could, if every body were at liberty to practise it, or to hold out to the subjects a more solid security, than any private manufacturer could offer, which is more frequently the motive. In fact, though governments have too often broken faith in this particular, their guarantee is still preferred by the people to that of individuals, both for the sake of uniformity in the coin, and because there would probably be more difficulty in detecting the frauds of private issuers.

The coinage unquestionably adds a value to the metal coined; that is to say, a lump of silver, wrought into a 5 *fr.* piece, is better than an equal weight of bullion of like standard; and for a very simple reason. The fashion given to the metal saves the person, that takes it in course of exchange, all the charges of weighing and assaying, among which the loss of time and labour must be reckoned; just in the same manner, as a coat ready made is worth more than the materials it is

to be made of. Even if the business of coining were open to all the world, and government confined itself to fixing the standard, the weight, and the impression, that each piece should possess, still the holders of bullion would find it answer to pay a premium to the coiner, for coining their bullion into money; otherwise, they would have some difficulty in effecting an exchange, and would, perhaps, lose more on the exchange, than it would cost to have the bullion converted into coin.

But the additional value, thus communicated to the precious metals by the coinage, must not be confounded with that, which bullion, as an article of trade, receives from the circumstance of its employment as money. The latter attaches upon the whole stock of gold and silver in existence: a silver tankard is of greater value, because that metal is employed as money; whereas, the additional value accruing from the coinage is peculiar to the specific portion coined, in like manner as the fashion is peculiar to the goblet; and is wholly independent of the value, that the commodity, silver, derives from its various utility.

In England, the whole expense of coinage is defrayed by the government; the same weight of guineas is delivered at the mint in return for a like weight of bullion of the legal standard. The nation, in quality of consumer of money, is gratuitously presented with the charges of coining, which are levied by taxation upon them in their other character of payers of taxes. Yet gold, in

the shape of guineas, has an evident advantage over bullion; not that of being ready weighed, for people are often at the pains of re-weighing, but that of being ready assayed. Consequently, it has happened sometimes, that bullion has been carried to the mint, not to be converted into coin, but merely to have the standard ascertained, and certified to the foreign or domestic purchaser. (*p*) For guineas are a better article of export than bullion, inasmuch as bullion, bearing the certificate of assay, is preferable to bullion without any such certificate. On the contrary, for the purposes of importation into England, gold bullion answers every purpose of guineas ready coined, and is of just the same value, weight and standard being alike; for the mint makes no charge for converting the bullion into coin. Foreigners have, in fact, an object in keeping back the guineas, which have already received the certificate of assay, and remitting bullion to England to obtain a like gratuitous certificate. This system, therefore, makes it an object to export the coined metal, but holds out no encouragement to its reimportation.*

* It is hardly necessary to repeat, that the specie exported is not so much value lost to the community; for nobody will feel inclined to make a present of it to the foreigner. Its value is transmitted, for the purpose of obtaining a corresponding value

(*p*) That is to say, to receive the certificate of coinage, for use, not in the character of money, but as an article of commerce.

The mischief is somewhat palliated by an accidental circumstance, which never entered into the

value in return; but the nation loses the value of the coinage in this operation. When guineas are exported from England, she receives in exchange the value of the metal only, and nothing for the impression it bears. (*g*)

merce. The assay is charged for at the English mint, upon bullion re-delivered without coinage. And, before the export of coin was made free, the risk was probably equal to the value of the certificate conferred by coinage. These remarks apply to the coinage of gold only, silver being now subject to a seignorage of 4s. in 66s. But silver is no longer the material of the metallic money, except for minute and fractional exchanges: it has been recently supplanted by gold, to the great injury of the productive classes of the nation, and to the benefit of the holders of credit-capital, public and private, in defiance of the testimony of the greatest talent and experience in the country, and for no other assignable reason, than in compliment to the obsolete opinions of the father of the chief financial minister for the time being. T.

(*g*) This is hardly true to the full extent. The Spanish dollars pass current in many countries at a considerable advance on bullion of equal weight and fineness, and constitute the legal currency of some communities, that have not undertaken the business of coinage themselves; as in Hayti, and elsewhere. The difference is the local value of the coinage, which is paid for sometimes very liberally. But to whom is it paid? to the Spanish individual or to the Spanish government. If to the former, it is an undue advantage to the individual at the expense of the community; if to the latter, it is the recompense of productive agency. Were the gold coinage of England subject to a seignorage like the silver, it would never be exported habitually, but to such nations, as were content to pay the extra value of the coinage. Indeed, our author presently says in express terms, that the value of the coinage is not always lost on exportation. T.

calculation of the legislature. There is no other mint in England, but that of the metropolis, which is so completely overloaded with business, that it cannot re-deliver the metal coined till many weeks, and often months, after it is brought for coinage.* The consequence is, that the owner, who leaves his bullion to be coined, loses the interest of its value during the whole time it remains in the mint. This operates as a small tax on coinage, and raises the value of the coin somewhat above that of bullion. For it is manifest, that the value would be exactly the same, if bullion and guineas were taken without distinction, weight for weight.

So much for the effect of the English regulations on this head.

All the other governments of Europe, if I mistake not, derive from the coinage a revenue more than equal to the charges of the process.† The

* *Wealth of Nations*, book i. c. 5. (r)

† One of my German translators, the learned professor *Morstadt*, of Heidelberg, has observed upon this passage, that, since 1810, the Russian government has made no charge for the coinage. It might with equal reason execute gratuitously the business of letter-carriage, instead of charging for it to the individuals.

I am perhaps incorrect in saying, that most governments make a profit over and above the expense of execution. The French government charges a seignorage, equal at most to defray the expense of the mere process. But the interest and wear and tear of the capital vested in buildings, machinery,

(r) The practice has fluctuated since Smith's time, but the principle is invariable. T.

exclusive privilege of issuing money, which they have most properly engrossed, together with the severe penalties denounced against private coiners, would enable them to raise the profit of the business very high, by the limitation of their issues; for the value of money, like that of every thing else, is always in the direct ratio to the demand, and in the inverse ratio to the supply.

In fact, when silver in the shape of coin is so rare and dear, that 90 *fr.* in coin will purchase the weight of 100 *fr.* of equal fineness in the shape of bullion, it is an indication, that the public attaches the same value to 9 oz. of coined, as to 10 oz. of uncoined metal. Wherefore, the government can, by its coinage, in such case, give to 9 *fr.* the value of 10 *fr.*, and make a profit of 10 per cent. But, if the coin become more abundant, and more of it be necessary in exchange for bullion, it may perhaps be necessary to give 95 *fr.* in coin for the weight of 100 *fr.* in bullion: in which latter case, the government can make a profit of no more than 5 per cent., upon the purchase and conversion of bullion into coin.

If, in the latter case, the government, with a view to increase the ratio of its profit, instead of purchasing bullion itself, were simply to charge a seignorage, say of 10 per cent. upon the bullion brought to the mint for coinage, none at all would

chinery, &c. and the charge of administration, &c. are so much dead loss to the government; and probably many other governments are in the same predicament.

be brought for that purpose by individuals, who would have to pay 10 per cent. for an operation, which added 5 per cent. only to the value of the metal. Thus, the mint would have nothing to coin either on public or private account; and the government would find a high ratio of profit incompatible with an extended amount of coinage.

Whence it may be concluded, that the duty or seignorage upon coinage, which has been so frequently discussed, is an absolute nullity; for that governments cannot fix their own ratio of profit upon the execution of the coinage, but that it must depend upon the state of the bullion market, which again is regulated by the relative supplies of coined and of uncoined metal, and the demand for them at the time being.

It is to be observed, that, to the public at large, in its capacity of consumer of coined bullion, it is a matter of perfect indifference, whether the coin be dear or cheap; for, so long as its value is not subject to sudden fluctuations, it will pass current for as much as it has been taken for.

When the coinage of money is not executed gratuitously, and especially when it is paid for at a monopoly-price, it is a matter of perfect indifference to the state, whether or not its coin be melted down or exported; for it can neither be melted down nor exported, without having first paid the coinage in full, which is all that is lost by melting or exportation.* On the contrary, the

* The value of the coinage, or fashion of the metal, is not always lost in the export. The impression is, to a certain degree,

export of such coin is quite as advantageous, as that of any other manufactured commodity whatever. It is a branch of the bullion trade; and, unquestionably, a coin, so well executed as to be difficult to counterfeit, accurate in the weight and assay, and charged with a moderate duty on the coinage, may acquire a currency in different parts of the world, and yield the government, that issues it, a profit of no contemptible amount. Witness the gold ducats of Holland, which are in request throughout all the north of Europe at a higher rate than their intrinsic value as bullion; and the dollars of Spain, which are all coined at Lima and Mexico, and have been executed with so much regularity and integrity, as to pass current as money not only all over Spanish America, but likewise in the United States, and in several parts of Europe, Africa, and Asia.*

The Spanish dollar is a remarkable instance of the value attached to the metal by the process of coinage. When the Americans of the Union determined upon a national coinage of dollars, they contented themselves with simply re-stamping those of the Spanish mint, without varying their weight or standard. But the piece thus re-stamped would not pass current with the Chinese, and other Asiatics,

gree, a recommendation beyond the limits of the authority which executes it, and raises the value somewhat higher, than that of bullion in bars.

* The 5 *fr.* pieces of France have, by their invariable uniformity of weight and standard since their first issue, acquired a similar currency in many parts of the world.

at the same rate ; 100 dollars of the United States would not purchase so much of other commodities as 100 dollars of Spain. The American Executive, nevertheless, continued to deteriorate the coin by giving it a handsome impression, apparently wishing to avail itself of this method of checking the export of specie to Asia. For this purpose it was directed, that all exports of specie should be made in dollars of its own coinage, hoping in this way to make the exporters give a preference to the domestic products of its own territory. Thus, after wantonly depreciating the Spanish dollar, without prejudice, it is true, to the specie remaining current within the territory of the Union, it went on further to enjoin its use in the least profitable way, viz. in the commercial intercourse with those nations, that set the least value on it. The natural course would have been, to suffer the value exported to go out of the country in the form, that might offer the prospect of the largest returns. Self-interest might have been safely relied on in this particular.

But what are we to think of the wisdom of the Spanish government, which was enabled, by the confidence in its good faith in the execution of its coinage, to export dollars with a profit, and sell them abroad at an advance upon their intrinsic value ; and yet thought fit to prohibit so advantageous a traffic, which would have furnished a vent to a product of the national soil, worked up by domestic industry for an ample recompense ?

Though a government be the exclusive coiner of money, and is by no means bound to coin gratui-

tously, it cannot with justice deduct the expense of coinage from its payments, in discharge of its own contracts. If it has engaged to pay a million, say for supplies advanced, it cannot honestly say to the contractor: 'We bargained to pay a million, but we pay you in specie just coined; and therefore shall deduct 20,000 *fr.*, more or less, for the charges of coinage.' In fact, all pecuniary engagements, contracted by government or individuals, virtually imply a promise to pay a given sum, not in bullion but in coin. The act of exchange, wherein the bargain originated, is effected with the implied condition, on behalf of one of the contracting parties, to give a commodity somewhat more valuable than silver bullion; namely, silver in crown pieces, or coin of some denomination or other. The virtual contract of government is to pay in coined money; and since, in consequence of that implied condition, it obtains a greater quantity of goods, than it will, if the bargain be to pay in bullion. In this instance, it offers the charge of coinage into the bargain at the time of concluding the contract, and thereby obtains better terms, than if it is in the habit of paying in bullion.

The charges of coinage should be deducted from the metal brought to the mint to be coined, at the time of its re-delivery in a coined state.

These considerations lead us to the necessary conclusions,—that the manufacture of bullion into coin increases the value of the metal, in the ratio of the additional convenience resulting to the community, from the circumstance of coinage, and

not an item further, whatever charges or duties the state may attempt to saddle it with* ; that a government, by monopolising the business of coining, may make a profit to the whole extent of this accession of value ; that it cannot possibly advance this profit any further, in its discharge of engagements, fairly and freely entered into ; and that it cannot do so with regard to prior engagements, without committing an act of partial bankruptcy.

Moreover, it is evident, that, in all dealings between individuals, the public authority has still less power, by means of the impression of its die, to make the commodity, acting as money, pass for more than its intrinsic value, *plus* the value added by the fashion it receives. Vain will be any enactment, that the stamp impressed shall give to an ounce of silver a specific or determinate value ; it will never buy more goods, than an ounce of silver, bearing that impression, is worth at the time being.

SECT. V.

Of Alterations of the Standard of Money.

THE first thing to be observed on this head is, that the public authority has generally taken upon itself to fix arbitrarily the commodity, that shall

* In Spanish America, a higher duty is charged, amounting according to *Humboldt* to $11\frac{1}{2}$ per cent. on silver, and 3 per cent. on gold, over and above the actual charges of coinage ; for the government allows no bullion to be exported in an uncoined state. So that, in fact, this is not a seignorage, but a duty on exportation, exacted at the time of converting the bullion into coin.

serve as money. This assumption, on its part, has little inconvenience in itself; for the interests of the nation and of the ruling power happen to be exactly the same. Should a government attempt to force an ill-adapted medium into circulation, it would sustain a loss itself on every bargain, and the people would, by degrees, adopt some other medium. Thus, the first issuer of coined money among the Romans was their King Numa; and his coinage was of copper, which at that time of day was the properest metal for the purpose; for, before the time of Numa, the Romans knew no other money but copper in bars. On the same principle, modern governments have made choice of gold and silver, which would undoubtedly have been selected by the general accord of individuals, without the interference of their rulers.

But the sovereign power, being firmly persuaded, that its mandate was necessary and competent to invest any commodity whatever with the currency of money, succeeded in impressing its subjects with the same notion during the darker ages, and that too at the very time, that individuals, with a view to personal interest, were acting upon principles diametrically opposite; for, whoever was dissatisfied with the authorised money, either abstained from selling altogether, or disposed of his goods in some other way.

This error led to another of much more serious mischief, that has overset all order whatever.

The public authority persuaded itself, that it could raise or depress the value of money at plea-

sure; and that, on every exchange of goods for money, the value of the goods adjusted itself to the imaginary value, which it pleased authority to affix to it, and not to the value naturally attached to the agent of exchange, money, by the conflicting influence of demand and supply.

Thus, when Philip I. of France, adulterated the *livre* of Charlemagne, containing 12 oz. of fine silver*, and mixed with it a third part alloy, but still continued to call it a *livre*, though containing but 8 oz. of fine silver, he was nevertheless fully persuaded, that his adulterated *livre* was worth quite as much as the *livre* of his predecessors. Yet, it was really worth $\frac{1}{3}$ less than the *livre* of Charlemagne. A *livre* in coin would purchase but $\frac{2}{3}$ of what it had done before. However, the creditors of the monarch, and of individuals, got paid but $\frac{2}{3}$ of their just claims; land-owners received from their tenants but $\frac{2}{3}$ of their former revenue, till the renewal of leases placed matters on a more equitable footing. Abundance of injustice was committed and authorized: but, after all, it was impossible to make 8 oz. of fine silver equal to 12.†

* The measure of weight called a *livre* contained 12 oz. in the time of Charlemagne.

† According to the principles established *suprà*, Sect. 3. of this Chapter, there is reason to believe, that the value of the adulterated *livre* of 8 oz. of fine silver might have been kept up to that of the old *livre* of 12 oz., if the volume of the coin had not been augmented. But the rise of money-prices, consequent upon the adulteration of the coin, is a ground of presumption, that the government, with a view to profit by this monetary opera-

In the year 1113, the *livre*, as it was still called, contained no more than 6 oz. of fine silver. At the commencement of the reign of Louis VII. it had been reduced to 4 oz. St. Louis gave the name of *livre* to a quantity of silver weighing but 2 oz. 6 gros. 6 grains.* At the era of the French revolution, the money bearing that name weighed only the $\frac{1}{6}$ of an oz.; so that it had been reduced to $\frac{1}{72}$ of its original standard of weight or quality in the days of Charlemagne.

I take no notice, at present, of the great fall experienced in the relative value of fine silver to commodities at large, which has been reduced so low as $\frac{1}{4}$ of its former amount; but this is foreign to the subject of the present section, and I shall take occasion to speak of it hereafter.

Thus the term, *livre tournois*, has at different times been applied to very different quantities of fine silver. The alteration has been effected, sometimes by reducing the size and weight of the coin bearing that denomination, sometimes by deteriorating the standard of quality, that is to say, mixing up a larger portion of alloy, and a smaller one of pure metal; and, sometimes, by raising the denomination of a specific coin; making, for instance, what was before a 2 *fr.* piece pass under

operation, ordered a re-coinage, and made 12 pieces out of 8, by the addition of alloy, so as to increase the total quantity proportionately to the reduction of the standard of quality.

* We find in the *Prolegomènes* of *Le Blanc*, 25, that the silver *sol* of St. Louis weighed 1 gros. $7\frac{1}{2}$ grains which, multiplied by 20, makes 2 oz. 6 gros. 6 grains, the *livre*

the name of one of 3 *fr.* As no account is ever taken of any thing but the pure silver, which is the only valuable substance in silver coin, all these expedients have had a similar effect ; for this reason ; that they all, in fact, reduced the quantity of silver contained in what was called a *livre tournois*. And this is what all French writers, in compliment to the royal ordinances, have dignified by the term, raising the standard ; on the ground, that the nominal value of the coin is raised by these operations ; which might, with much more propriety, be said to lower the standard, since the metal, which alone constitutes the money, is thereby reduced in quantity.

Though the quantity of metal in the *livre* has been continually decreasing from the days of Charlemagne till the present period, many of our monarchs have, at different times, adopted a contrary course, and advanced the weight and standard of quality, particularly since the reign of St. Louis. The motives for deterioration are evident enough : it is extremely convenient to pay one's debts with less money than one borrowed. But kings are not only debtors ; they are very frequently creditors too. In the matter of taxation, they stand precisely in the same relative position to the subject, as landlords to their tenants. Now, if every body be enabled by law to pay their debts and discharge their contracts with a less amount of silver than bargained for, the subject, of course, can pay his taxes, and the tenant his rent, with a smaller quantity of that metal. And,

although the king received less silver, yet he continued to spend as much as before; for the nominal price of commodities rose, in proportion to the diminution of metal in the coin. When what was before 3 *fr.* was declared by law to be 4 *fr.*, the government was obliged to pay 4 *fr.* where it before paid but 3 *fr.*; so that it was necessary, either to increase the old, or to impose new taxes; in other words, the government, to obtain the same quantity of fine silver, was obliged to demand a greater number of *livres* from the subject. This course, however, was always odious, even when it really made no difference in the real pressure of taxation, and was often quite impracticable. Recourse was, therefore, had to restoration of the coin to the higher standard. The *livre* being made to contain a greater weight of silver, the nation really paid more silver in paying the same number of *livres*.* Thus we find, that the ameliorations of the coin commence nearly about the same period, as the establishment of permanent taxation. Before that innovation, the monarch had no personal motive for increasing the intrinsic value of the coin he issued.

It would be a great mistake to suppose, that the

* The same expedient was resorted to by that monster of prodigality, the Roman Emperor Heliogabalus. The taxes of the empire were payable in specific gold coin, called *aurei*, and not in gold by the tale: and the emperor, to enlarge his receipts, made a new issue of *aurei*, weighing as much as 24 oz. each. The virtuous Alexander Severus, actuated by an opposite motive, made a considerable reduction of the weight.

frequent variations of standard alluded to, were effected in the same clear and intelligible manner, which I have adopted to explain them. Sometimes the alteration, instead of being openly avowed, was kept secret as long as possible* ; and this attempt at concealment gave occasion to the barbarous technical jargon used in this branch of manufacture. At other times, one denomination of coin was altered, while the rest were left untouched ; so that, at a given period, a *livre*, paid in one denomination, contained more silver than if paid in another. Finally, to throw the matter into still greater obscurity, the subject was commonly forced to reckon up his accounts, sometimes in *livres* and *sous*, sometimes in crowns, and to pay in coin representing neither *livre*, *sol*, nor crown, but either fractions or multiples of these several denominations. Princes, that resort to such pettifogging expedients, can be viewed in no other light, than as counterfeiters armed with public authority.

The injurious effect of such measures upon credit, commercial integrity, industry, and all the sources of prosperity, may be easily conceived ; indeed, it was so serious, that, at several periods of

* Philip de Valois, in his official instructions to the officers of the mint, A.D. 1350, enjoins the utmost secrecy on the subject of the purposed adulteration, even with the sanction of an oath, for the express purpose of taking in the commercial classes : directing them “ to put a good face upon the matter of the course of exchange of the mark of gold, so that the intended adulteration might not be discovered.” Many similar instances are to be met with in the reign of King John. *Le Blanc, Traité Hist. des Monnaies*, p. 251.

our history, the monetary operations of the state suspended all commerce whatever. Philip le Bel drove all foreigners out of the fairs of France, by compelling them to receive his discredited coin in payment, and prohibiting the making of bargains in a coin of better credit. * Philip de Valois did the same thing with respect to the gold coin, and with precisely the same result. A cotemporary chronicler† informs us, that almost all foreign merchants discontinued their dealings with France; that the French traders themselves, ruined by the frequent alterations of the coin, and the consequent uncertainty of values, withdrew to other countries; and that the rest of the king's subjects, both noble and *bourgeois*, were equally impoverished with the merchants; for which reason, the annalist adds simply enough, the king was not at all beloved.

The examples I have cited are taken from the monetary system of France; but similar expedients have been practiced in almost every nation, ancient or modern. Popular forms of government have been equally culpable with those of a despotic character. The Romans, during the most glorious periods of the republic, effected a national bankruptcy more than once, by deteriorating the intrinsic value of their coin. In the course of the first Punic war, the *as*, which was originally 12 oz. of copper, was reduced to 2 oz.; and, in the second Punic, was again lowered to 1 oz. ‡

* *Le Blanc, Traité Hist. des Monnaies*, p. 27.

† *Matthieu Villani*.

‡ *Montesquieu, Esprit des Lois*, liv. xxii. c. 11

In the year 1722, the state of Pennsylvania, which acted, in this particular, as an independent government, even before the American war, passed a law, enacting, that 1*l.* sterling should pass for 1*l.* 5*s.**; and the United States, and France also, after declaring themselves republics, have both gone still further.

“It would require a separate treatise,” says Stewart, “to investigate all the artifices, which have been contrived to make mankind lose sight of the principles of money, in order to palliate and make this power in the sovereign to change the value of the coin appear reasonable.”† He might have added, that such a volume would be of little practical service, and by no means prevent the speedy adoption of some new device of the same kind. The only effectual preventive would be, the exposure of the corrupt system, that engenders such abuses: were that system rendered simple and intelligible, every abuse would be detected and extinguished in the outset.

And let not governments imagine, that, to strip them of the power of defrauding their subjects, is to deprive them of a valuable privilege. A system of swindling can never be long-lived, and must infallibly in the end produce much more loss than profit. The feeling of personal interest is that, which soonest awakens the intellectual faculties of mankind, and sharpens the dullest apprehensions.

* Smith's *Wealth of Nations*, book ii. c. 2.

† Stewart's *Inquiry into the Princ. Pol. Econ.* 8vo. 1805. vol. ii. p. 306.

Wherefore, in matters affecting personal interest, a government has the least chance of outwitting its subjects. Individuals are not easily duped by measures tending to procure supplies to the state in an underhand manner: and although they cannot guard against direct outrage, or breach of public faith, yet it can never long escape their penetration, however artfully disguised and concealed. The government will acquire a character for cunning as well as faithlessness, and will lose entirely the powerful engine of credit, which will operate with infinitely more efficacy, than the mere trifle, that fraud can procure. Yet, even that trifle will often be wholly engrossed by the agents of government, who are sure to turn every act of injustice towards the subject to their own private advantage. Thus, while the government loses its credit, its agents get all the profit; and the public authority is disgraced, for no other purpose, than to enrich its menials.

The real interest of a government is, to look not to fictitious, disgraceful, and destructive resources, but to such as are really prolific and inexhaustible; and one can render it no better service, than to expose and render abortive those of the former kind, and to point out to it those of the latter.

The immediate consequence of a deterioration of the coin is, a proportionate reduction of all debts and obligations payable in money; of all perpetual or redeemable rent-charges, whether upon the state or upon individuals; of all salaries, pensions, and rack-rents; in short, of all values

previously expressed in money ; by which reduction, the debtor gains what the creditor loses. It is a legal authorization of a partial bankruptcy or compromise by every money-debtor with his creditor for a sum less than his fair claim, in the ratio of the diminution of precious metal in the same denomination of coin.

Thus, whatever government has recourse to this expedient, is not content with giving itself an illegitimate advantage, but urges all other debtors to do so likewise.

The kings of France, however, have not always allowed their subjects to reap the same advantage in their private concerns, which the monarch proposed to himself, by the operation of increasing or diminishing the quantity of metal contained in a particular denomination of coin. Their personal motive was, on all such occasions, to pay less, or receive more silver or gold themselves, than in honesty they ought ; but they sometimes compelled individuals, notwithstanding the alteration, to pay and receive in the old coin, or, if in the new, at the current rate of exchange between the two. * This was a close copy of a Roman precedent. When that republic, in the second Punic war, reduced the *as* of copper from two oz. to one, the republic paid its creditors one *as* instead of two, that is to say, 50 per cent on their claims. But private

* *Vide* the several ordinances of Philip le Bel in 1302 ; of Philip de Valois in 1329 and 1343 ; of John in 1354 ; and of Charles VI. in 1421.

accounts were kept in *denarii*; and the *denarius*, which till then was worth 10 *asses*, was, by law, made to pass for 16 *asses*; so that individuals paid 16 *asses* or oz. of copper only for every *denarius*, instead of paying 20 as they should have done to fulfil their engagements, that is to say, 10 *asses* of 2 oz. or 20 of 1 oz. each, for every *denarius*. Thus, the republic paid a dividend of 50 per cent. only, but compelled private persons to pay one of 80 per cent.

A bankruptcy, effected by deterioration of the coin, has been sometimes considered in the light of a plain and simple bankruptcy, or mere reduction of the public debt. It has been thought less injurious to the public creditor to pay him in adulterated coin, that he again may pay over at the same rate as he receives it, than to curtail his claim by $\frac{1}{4}$, $\frac{1}{2}$, or in any other proportion. Let us see how the two methods differ.

In either case, the creditor is equally a loser in all his purchases posterior to the bankruptcy. Whether his income be abridged by one half, or whether he find himself obliged to pay for every thing twice as dear as before, is to him precisely the same thing.

As to all his own existing debts, he may undoubtedly get rid of them on the same terms as the public has discharged his own claim; but what ground is there for supposing, that the public creditors are always in arrear in their private accounts with the rest of the community? They stand in the same relation to society as all other

classes ; and there is every reason to believe, that the public creditors have as much owing to them by one set of individuals, as they owe themselves to another ; in short, that the accounts will square. Thus, the injustice they do to their private claimants is balanced by the injury they receive ; and a bankruptcy, in the shape of a deterioration of the coin, is to them full as bad, as in any other shape.

But it is attended with other serious evils, destructive of national welfare and prosperity.

It occasions a violent dislocation of the money-prices of commodities, operating in a thousand different ways, according to the particular circumstances of each respectively, and thereby disconcerting the best planned and most useful speculations, and destroying all confidence between lender and borrower. Nobody will willingly lend, when he runs the risk of receiving a less sum than he has advanced ; nor will any one be in a hurry to borrow, if he is in danger of paying more than he gets. Capital is, consequently, diverted from productive investment ; and the blow, given to production by deterioration of the coin, is commonly followed up by the still more fatal ones of taxation upon commodities, and the establishment of a maximum of price.

Nor is the effect less serious in respect to national morality. People's ideas of value are kept in a state of confusion for a length of time, during which knavery has an advantage over honest simplicity, in the conduct of pecuniary matters.

Moreover, robbery and spoliation are sanctioned by public practice and example; personal interest is set in opposition to integrity; and the voice of the law to the impulse of conscience. (s)

(s) The injury to national probity and credit, which our author here details, is pointed out with truth and accuracy. And the expedient, if frequently repeated, will be of most mischievous effect in other ways. Wherefore, nothing but absolute and evident necessity can justify it. But he seems wholly to mistake its immediate effect upon national production, which is not injurious, but beneficial. In fact, it is precisely analogous to that of a similar variation in the real value of the precious metals; and we have seen *suprà*, p. 222. *in notis*, that their progressive abundance and cheapness accrues entirely to the advantage of the productive, and the disadvantage of the unproductive, classes. The reduction of the standard weight or quality of a national metal-money, or the increased issue and consequent depreciation of a national paper-money, has the same effect upon national production, as the discovery of a new mine, or the improved working of the old ones. The foreign and domestic creditors of the state and of individuals are paid in a substance of less difficult attainment, and therefore of less relative value; the holders of fixed real, and credit capital receive an interest of less real amount; the appropriated sources of production, the land, buildings, manufactories, &c. &c. receive a smaller portion of the gross produce; and, as that produce is nowise diminished in quantity or relative value by the operation, the difference goes to the active agents of production. Industry, the secondary, and usually unappropriated, source of production, is equally, and, for a short time, even better recompensed than before, until the appropriators of the primary source, the land and other natural agents, shall have adjusted their demands to the variation. The more the matter is investigated, the more certainly it will be seen, that a deterioration of the national money, especially if it be avowed and open, tends to the advantage, and not to the injury, of national production. And the

SECT. VI.

Of the reason why Money is neither a Sign nor a Measure.

MONEY would be a mere *sign* or representative, had it no intrinsic value of its own; but,

evidence of facts is on the same side. The temporary depreciation of the paper-money of England, by the expansion of its issues, was not followed by national impoverishment or distress, even though accompanied by a coterminous and disproportionate increase of taxation and of national expenditure; but the reflux of that depreciation, the contraction of the paper-money, has caused the most general distress to all the productive classes, whether engaged in agriculture, manufacture, or commerce internal or external, although accompanied by a reduction of taxation and national expenditure in a very considerable ratio. And the reason is obvious; the unproductive classes, the holders of the appropriated sources of production, and of the incumbrances upon those sources and upon industry, the unappropriated source; in other words, the landholder, fundholder, annuitant, mortgagee, bonded creditor, &c. &c. are enabled to demand a larger portion of the gross produce of the community, and to leave a smaller portion for the recompense of the actual producers. And commerce, the agent of general exchange and transfer, suffers more in proportion than the other two branches of industry. For the trader feels his capital melting away in his hands; between the act of buying and the act of re-selling, the commodity, money, wherein value is estimated, rises in relative value to all others, and money-prices fall in proportion; he therefore pursues a losing game; yet his loss would be no greater, than that of other classes of industry, were not his credit embarked as well as his capital, and, generally, to an equal amount at the least. In consequence of this circumstance, he loses in the same ratio upon his credit as well as upon his capital; and while others, embarking no credit, lose 10 per cent. only upon capital, he loses probably 20 per

on the contrary, whenever it is employed in sale or purchase, its intrinsic value alone is considered.

per cent. at the least. These considerations will serve, in a great measure, to explain the present condition of England, the United States, and all other nations, that have attempted to lower the general scale of money-prices by the contraction of a paper-money, or by raising the intrinsic value of a metal one. The distress will be proportionate to the degree of variation, the prevalence of public and private credit, and the activity of productive power.

It has been urged, that depreciation of the national money is a fraudulent injury to the foreign creditor, public and private. The injury would be exactly the same, were a rich new mine to be discovered; the fraud depends upon the mode of execution, and the necessity of the operation. The United States are said to be always in arrear to Great Britain, for several months' consumption of manufactured produce. By a sudden depreciation, then, of the national money of the United States, the English creditors would obtain but a dividend upon their claims, and England nationally would be a loser *pro tanto*. Were that of England to be depreciated in the same ratio, the American creditor would lose individually, and the United States nationally; but, being always largely in advance, her loss would be much smaller in proportion. Both nations have taken the contrary course; both have attempted to restore the convertibility of the national paper, and money-prices have in both been coterminously depressed, to the apparent gain of the creditor, and loss of the debtor. Have creditors, either British or American, profited by the operation? have not creditors and debtors both sunk together, and mutual confidence, individual and national, been so rudely shaken, that it is impossible to say when it may recover?

It is right that this matter should be clearly set before the public. The partial bankruptcy, operated by depreciation or deterioration of the national money, is never strictly just, but is often absolutely necessary. Though it is, doubtless, in some respects,

When an article is sold for a 5 *fr.* piece, it is not the impression or the name, that is given or taken in exchange, but the quantity of silver, that is known to be contained in it. As a proof of the truth of this position, if the government were to issue crown pieces made of tin or pewter, they would not be worth so much as those of silver. Though declared by law to be of equal value, a great many more of them would be required in purchase of the same commodities; which could not happen, if they were nothing but a mere sign.

Violence, ingenuity, or extraordinary political circumstances, have sometimes kept up the current value of a money, after a reduction of its intrinsic value; but not for any length of time. Personal interest very soon finds out whether more value is paid than is received, and contrives some expedient to avoid the loss of an unequal and unfair exchange. Even when the absolute necessity of finding some medium of circulation of value obliges

respects, injurious to the interests of the community, it is never so to its productive powers, which are thereby partially relieved of burthens, public and private, and left unimpaired to exert their prolific influence, with less difficulty to surmount, and the present prospect of larger recompense. Nor has any other expedient been yet presented, whereby partial national bankruptcy can be effected with so little violation of equity, or so little confusion, embarrassment, or misery. Wherefore, when the necessity of bankruptcy is once admitted, there is no need to hesitate through fear of injury to national production, and no doubt as to the least objectionable mode of carrying it into execution. T.

a government to invest with value an agent, destitute either of intrinsic value or substantial guarantee, the value, attached to the sign by this demand for a medium, is actual value, originating in utility, and makes it a substantive object of traffic. A Bank of England note is of no value whatever as a representative ; for it really represents nothing, and is a mere promise without security, given by a bank, which has advanced it to the government without any security ; yet this note is, by its mere utility, possessed of as positive value in England, as a piece of gold or silver.

But a bank-note, payable on demand, is the representative, the sign, of the silver or specie, which may be had whenever it is wanted, on presenting the note. The money or specie, which the bank gives for it, is not the representative, but the thing represented.

When a man sells any commodity, he exchanges it, not for a sign or representative, but for another commodity, called money, which he supposes to possess a value equal to the value sold. When he buys, he does so, not with a sign or representative, but with a commodity of real, substantial value, equivalent to the value purchased.

A radical error, in this particular, has given rise to another of very general prevalence. Money having been pronounced to be the sign of all values whatever, it was boldly inferred, that, in every country, the total value of the money, bank and other notes, and credit paper, is equal to the

total value of all other commodities. A position, that derives some show of plausibility, from the circumstance, that the relative value of money declines when its quantity is increased, and advances when that quantity is diminished.

It is obvious, however, that the same fluctuation affects all other commodities whatever. If the vintage be twice as productive one year as it is another year, the price of wine falls to half what it was the year preceding. In like manner, one may readily concede, that, should the aggregate of circulating specie be doubled, the prices of all goods would be doubled also; in other words, twice the quantity of specie would go to the purchase of the same articles. But this consequence by no means proves, that the total value of the circulating medium is always equal to the sum total of all the other items of wealth, any more, than that the sum total of the produce of the vintage is equal to the totality of other values. The casual fluctuation in the value of silver and of wine, in the cases supposed, is the effect of a difference in quantity of these respective commodities at two different times, and has nothing to do with the quantity of other commodities.

It has been already remarked, that the total value of the money of any country, even with the addition of the value of all the precious metals contained in the nation under any other shape, is but an atom, compared with the gross amount of other values. Wherefore, the thing represented

would exceed in value the representative ; and the latter could not command the presence or possession of the former.*

Nor is the position of Montesquieu, that money-price depends upon the relative quantity of the total commodities, to that of the total money of the nation † (*t*), at all better founded. What do

* If credit-paper be thrown into the scale, it will not help us over this difficulty. The agent of circulation, whether in the form of specie or of paper, can never exceed in amount the total utility vested in it. The expansion of the volume of a national money, whether of metal or of paper, is sure to be followed by a proportionate dilution of its value, which disables the whole from being equal to the purchase of a greater portion of commodities at large : and the value, devoted to the business of circulation, is always a trifle, compared with the value it is employed to circulate. *Vide infra*, under the head of Bank-notes.

† *Esprit des Lois*, liv. xxii. c. 7.

(*t*) The error of Montesquieu consists in viewing money purely as a sign. But our author himself is not quite correct in his view ; his defect lies in considering utility as the sole basis and constituent of the value of money and of every thing else ; whereas, there is another ingredient, viz., difficulty of attainment. There is no position in the whole science less disputable, than that, at a given time and place, the scale of money-price is determined by the relative scarcity or abundance of money to commodities at large ; the want or utility of it, in other words, the business of circulation, remaining stationary. And the reason is evident : the individual difficulty of attainment, which is one of the ingredients of value, is increased or diminished in intensity, by every variation of the supply. So also of the other ingredient, viz. utility. By an improved process of banking, by the extended use of credit,

or

sellers and buyers know of the existence of any other commodities, but those, that are the objects of their dealing? And what difference could such knowledge make in the demand and supply in respect to those particular commodities? These opinions have originated in the ignorance at once of fact and of principle.

Money or specie has with more plausibility, but in reality with no better ground of truth, been pronounced to be a *measure* of value. Value may be estimated in the way of price; but it cannot be measured, that is to say, compared with a known and invariable measure of intensity, for no such measure has yet been discovered. (*u*)

or by the superior ease and rapidity of transfer of paper-money, a smaller volume of money will maintain the same scale of general money-price: why? because the utility of money, the necessity of its actual presence, is reduced. But that scale will be also effected in like manner by the limitation or extension of the supply: why? because the difficulty to be surmounted by individuals, in acquiring any portion of the money, is varied in the degree of intensity. Our author refers the whole fluctuation of value to utility, the only constituent of value that he recognises. T.

(*u*) A fixed and invariable measure of *relative* value, though never yet absolutely reached, has been often approximated to. Where the material of a national money is paper, and its amount fixed, it is a pretty accurate measure of value in the home market; for the whole of it will remain within the nation, and it will at all times be invested with the total utility of money, and present a fixed amount of total difficulty of attainment. The ingredient, utility, may indeed vary; the business of national circulation may be increased or diminished; and therefore it will not be altogether

Authority, however absolute, can never succeed in fixing the general ratio of value. It may enact, that John, the owner of a sack of wheat, shall give it to Richard for 24 *fr.*; and so it may that John shall give his sack of wheat for nothing. This enactment will probably rob John to benefit Richard; but it can no more make 24 *fr.* the exact measure of the value of a sack of wheat, than it can make a sack of wheat worth nothing, by ordering it to be given for nothing.

A yard or a foot is a real measure of length; it always presents to the mind the idea of the self-same degree of length. No matter in what part of the world a man may be, he is quite sure, that a man of 6 ft. high in one place is as tall as a man of 6 ft. high in another. When I am told, that the great pyramid of Ghizé is 100 *toises* square at the base, I can measure a space of 100 *toises* square at Paris, or elsewhere, and form an exact notion of the space the pyramid will cover; but when I am told, that a camel is at Cairo worth 50 *sequins*, that is to say, about 2500 *grammes* of

gether an invariable measure. But it will be a measure far less variable than a metallic money, of which the difficulty of attainment fluctuates equally with the utility. With regard to a measure of *positive* value, it is a thing both useless and impossible. For value or estimation is a mere matter of comparison, and must of course be relative in the very nature of things. We talk of positive value, merely by way of distinction of real, from artificial, difficulty of attainment. But of that positive value and of its intensity we can form no definite idea, except by comparison. T.

silver, or 500 *fr.* in coin, I can form no precise notion of the value of the camel ; because, although I may have every reason to believe, that 500 *fr.* are worth less at Paris than at Cairo, I cannot tell what may be the difference of value.

The utmost, therefore, that can be done is, merely to estimate or reckon the *relative* value of commodities ; in other words, to declare, that at a given time and place, one commodity is worth more or less than another : their *positive* value it is impossible to determine. A house may be said to be worth 20,000 *fr.* ; but what idea does that sum present to the mind ? The idea of whatever I can purchase with it ; which is, in fact, as much as to say, the idea of value equivalent to the house, and not of value of any fixed degree of intensity, or independent of comparison between one commodity and another.

When two objects of unequal value are both compared to different portions of one specific product, still it is a mere estimate of relative value. One house is said to be worth 20,000 *fr.*, another 10,000 *fr.* ; which is simply saying, the former is worth two of the latter. It is true, that, when both are compared to a product capable of separation into equal portions, as money is, a more accurate idea can be formed of the relative value of one to the other ; for the mind has no difficulty in conceiving the relation of 2 integers to 1, or 20,000 to 10,000. But any attempt to form an abstract notion of the value of one of these integers must be abortive.

If this be all, that is meant by the term, *measure of value*, I admit that money is such a measure; but so, it should be observed, is every other divisible commodity, though not employed in the character of money. The ratio of the one house to the other will be equally intelligible, if one be said to be worth 1000, and the other only 500, quarters of wheat.

Nor will this measure of relative value, if we may so call it, convey an accurate idea of the ratio of two commodities one to the other, at any considerable distance of time or place. The 1000 quarters of wheat, or 20,000 *fr.*, will not be of any use in the comparison of a house in former, with a house in the present times; for the value of silver coin and of wheat have both varied in the interim. A house at Paris, worth 10,000 crowns in the days of Henry IV., would now be worth a great deal more, than another of that value now-a-days. So likewise one in Lower Brittany, worth 20,000 *fr.*, is of much more value than one of that price at Paris; for the same reason, that an income of 10,000 *fr.* is a much larger one in Brittany than at Paris.

Wherefore, it is impossible to succeed in comparing the wealth of different eras or different nations. This, in political economy, like squaring the circle in mathematics, is impracticable, for want of a common mean or measure to go by.

Silver, and coin too, whatever be its material, is a commodity, whose value is arbitrary and variable, like that of commodities in general, and is regula-

ted on every bargain by the mutual accord of the buyer and seller. Silver is more valuable, when it will purchase a large quantity of commodities, than when it will purchase a smaller quantity. It cannot, therefore, serve as a measure, the first requisite of which is invariability. Thus, in the assertion of Montesquieu, when speaking of money, that ‘what is the common measure of all things, should of all things be the least subject to change,’* there are no less than three errors in two lines. For, in the first place, it has never been pretended, that money is the measure of all things, but merely that it is the measure of values; secondly, it is not even the measure of values; and, lastly, its value cannot be made invariable. If it was the object of Montesquieu to deter governments from altering the standard of their coin, he should have laboured to enforce those sound arguments, which the question would fairly have supplied him with, instead of dealing in brilliant expressions, which serve to mislead and give currency to error.

It would, however, often be a matter of curiosity, and sometimes even of utility, to be able to compare two values at an interval of time or place; as, for instance, when there is occasion to stipulate for a payment at a distant place, or a rent for a long prospective term.

Smith recommends the value of labour as a less variable, and, consequently, more appropriate,

* *Esprit des Lois*, liv. xxii. c. 3.

measure of absent or distant value ; he reasons thus upon the matter : ‘ Equal quantities of labour, at all times and places, may be said to be of equal value to the labourer. In his ordinary state of health, strength, and spirits, in the ordinary degree of his skill and dexterity, he must always lay down the same portion of his ease, his liberty, and his happiness. The price, which he pays, must always be the same, whatever may be the quantity of goods which he receives in return for it. Of them, indeed, it may sometimes purchase a greater and sometimes a smaller quantity ; but it is their value which varies, not that of the labour which purchases them. At all times and places, that is dear, which it is difficult to come at, or which it costs much labour to acquire ; and that cheap, which is to be had easily, or with very little labour. Labour alone, therefore, never varying in its own value, is alone the ultimate and real standard, by which the value of all commodities can at all times and places be estimated and compared.’ *

* *Wealth of Nations*, book i. c. 5. On this point, Smith observes, that ‘labour was the first price, the original purchase-money, that was paid for all things. It was not by gold or silver, but by labour, that all the wealth of the world was originally purchased.’ I think I have succeeded in proving that he is mistaken. Nature executes an essential part of the production of values ; and her agency is in most cases paid for, and forms a portion of the value of the product. The profit of land, which is called rent, is paid to the proprietor, who does nothing himself, and stands in place of the original occupant ; and it affects the value of the product, raised by the joint agency of nature and industry : the portion of value contributed by nature

With great deference to so able a writer, it by no means follows, that, because labour in the same

is not the product of human labour. Capital also, which is, for the most part, the accumulated product of labour, concurs, like nature, in the business of production, and receives in recompence a portion of the product ; but the gains, accruing to the capitalist, are quite distinct from the accumulated labour vested in the capital itself, which can be expended or consumed *in toto*, by one set of persons ; while its share in the product, in other words, the interest paid for its use, may be consumed by another. (w)

(w) Both Smith and our author have stopped short of the whole truth, though each has partially perceived it. Smith is quite correct in his position, that human labour or industry is the original price paid by man to nature for all the wealth he possesses. Nothing intervenes between the desire and the attainment, but the difficulty of attainment, which must be surmounted by human means or exertion. But the satisfaction of human wants is one thing ; the *value* of the objects, whereby they are satisfied, is another. That value Smith refers to the difficulty of attainment, the human labour exerted in surmounting that difficulty ; while our author refers it to the utility of the objects, their aptitude to yield that satisfaction. Truth lies in the compound of these opinions ; value is human estimation : and, when a writer confines his notion of human wealth to objects bearing value, in other words, to objects of human estimation, he limits it to those, which present a combination of utility and difficulty of attainment. Indeed, it is somewhat singular, that this obvious solution should have escaped the observation of so acute a writer, as well as of all the distinguished adventurers in this department of science. Ricardo has approached the nearest ; but even he has stopped on the threshold ; and his work is so abstruse and difficult of apprehension, that very few can see how far he has gone, and by how much he is still short of the goal. *Vide his Essay on Pol. Econ.* c. 20. on the distinction between value and riches. T.

degree is always to the labourer himself of the same value, therefore it must always bear the same value as an object of exchange. Labour, like commodities, may vary in the supply and demand; and its value, like value in general, is determined by the mutual accord of the adverse interests of buyer and seller, and fluctuates accordingly.

The value of labour is affected materially by its quality. The labour of a strong and intelligent person is worth much more, than that of a weak and ignorant one. Again, labour is more valuable in a thriving community, where there is a lively demand for it, than in a country overloaded with population. In the United States, the daily wages of an artificer amount in silver to three times as much as in France. * Are we to infer, that silver has there but $\frac{1}{3}$ of its value in France? The artificer is there better fed, better clothed, and better lodged; which is a convincing proof, that he is really better paid. Labour is probably one of the most fluctuating of values, because at times it is in great request, and at others is offered with that distressing importunity occasionally witnessed in cities, where industry is on the decline.

Its value has, therefore, no better title to act as a measure of two values at great distances of time or place, than that of any other commodity. There is, in fact, no such thing as a measure of value, because there is nothing possessed of the indispensable requisite, invariability of value.

* Humboldt reckons it at from 3 fr. 50 cents. to 4 fr. of our money. *Essai Pol. sur la Nouvelle Espagne*, tom. iii. p. 105. oct. ed.

In the absence of an exact measure, we must be content to approximate to accuracy ; and, to this end, many commodities of well-known value will serve to give a notion, more or less correct, of the value of any specific product. At the same point of time and place, there is little difficulty in the approximation : the value of any given article may be readily measured by almost all others. To ascertain pretty nearly the value of an article amongst the antients, we must first find out some article which there is reason to think has subsequently undergone little change of value, and then compare the quantity of that article given by the antients and moderns respectively, in exchange for the article in question. Wherefore, silk would be a bad object of comparison ; because it was, in the time of Cæsar, procurable from China only, at a most extravagant expense, and, being then nowhere produced in Europe, must of course have been much dearer than at present. Is there any commodity, that has varied less in the intervening period ? and, if there be any such, how much of it was then given for an ounce of silk ? These are the two points we must enquire into. If any one article can be discovered, that was produced with equal ease and perfection at the two periods, and the consumption of which had a natural tendency to keep pace with its abundance, this article would probably have varied little in value, and may be taken as a tolerable measure of other values.

Ever since the earliest times recorded in history, wheat has been the staple food of the great mass

of the population, in all the principal nations of Europe ; consequently, their relative population must have been influenced by the abundance or scarcity of this article of food, more than of any other : the ratio of the demand to the supply must have been, therefore, at all times nearly the same. There is, besides, no product which I know of, that has undergone less alteration in the costs of production. The agricultural skill of the antients was in most respects equal, and in some perhaps superior to our own. Capital, indeed, was dearer amongst them ; but that difference was little felt ; for, in antient times, the proprietor was commonly both farmer and capitalist ; and the capital embarked in agriculture yielded less return than other investments ; because, as more honour was attached to this, than to the other branches of industry, commerce and manufacture, the influx of capital, as well as of labour, into that channel, was greater than into the other two. And, during the middle ages, in spite of the general declension of all the arts, the tillage of arable land was prosecuted with a skill little inferior to that of the present day.

Whence I infer, that the same quantity of wheat must have borne nearly the same value among the antients, during the middle ages, and at the present time. But, as there has all along been a vast difference in the produce of the harvest in one year and another, grain being sometimes so abundant, as to sell extremely low, and at other times so scarce, as to occasion famine, the value of

grain must be taken on an average of years, whenever it is made the basis of any calculation.

So much for the estimation of values at distant periods of time.

There is equal difficulty in the estimation at great distances of place. The staple articles of national food, which, as such, maintain the greatest uniformity in the ratio of the demand and supply, are very different in different climates. In Europe, wheat is the staple; in Asia it is rice: the relative value of neither the one nor the other in Asia and Europe is tolerably steady; nor has the value of rice in Asia any relation to the value of wheat in Europe. Rice is beyond question less valuable in India, than wheat is in this part of the world; for, besides that the cultivation is less expensive, it yields two crops in the year.^(x) This is one reason, why labour is so cheap in India and China.

The article of food in most general use is, therefore, but a bad measure of value at great distances of place. Nor are the precious metals by any means a correct one: their value is indubitably not so great in North America and the West Indies,

(x) The double crop proves nothing; for, according to the principles of Malthus, the population will be doubled by a double quantity of human aliment; and, in that case, the intensity of value will be equal; the utility being equal; and the difficulty of attainment to the individual equal also. It only shows, that the natural source is more prolific; and that the appropriator, or landlord, may obtain a larger portion of the gross product, because there may be a larger surplus of produce. T.

as in Europe, and much greater in every part of Asia, as the constant efflux of specie thither sufficiently proves. Yet the frequency of communication between these different parts of the world, and the facility of transport, give us reason to suppose them the least liable to fluctuation of value on their passage from one climate and another.

There is happily no necessity, for the purposes of commerce, to compare the relative value of goods and of metals in two distant parts of the world; it is quite enough to know their relation to other commodities in each country. When a merchant remits to China half an ounce of silver, it is of little importance to him, whether it has more relative value in China than in Europe. All he wants to know is, whether he can buy with it at Canton a pound of tea of a certain quality, which he can resell in Europe, say for two ounces of silver. With these *data*, and in expectation of receiving, at the close of the speculation, a gross profit of an ounce and a half of silver, he calculates whether that profit will leave him a sufficient net profit, after covering the charges and risk out and home; and this is all he cares about. If, instead of bullion, he remit goods, it is enough for him to know; 1. the relation between the value of these goods and silver in Europe; that is to say, how much they will cost; 2. the relation between their value and that of Chinese products at Canton; that is to say, what he can get in exchange for them; and, lastly, the relation between these latter and silver in Europe; that is to say, what they will be worth

when imported. It is evident, that every repetition of this operation brings into question nothing more, than the relative value of two or more articles at the same time, and at the same place.

For the common purposes of life, or, in other words, when nothing more is requisite, than to compare the value of two objects, at no great distance of time or place, most commodities possessed of any value at all may serve as a measure ; and if, in describing the value of an object, even when there is no question of either buying or selling, the estimation is more generally made in the precious metals, or in money, than in any other commodity, it is simply, because its value is more generally known, than that of other commodities.* But, in all bargains for a long prospective period, as for the reservation of a perpetual rent, it is more advisable to reckon in wheat : for the discovery of a single mine might perhaps greatly reduce the present value of silver ; whereas, the tillage of all North America could not sensibly alter the value of wheat in Europe : for the number of mouths to be fed in America, would increase almost in the ratio of the improved cultivation. But long prospective stipulations regarding value must un-

* The difference of value in different objects has, throughout this work, been noted in money-price, or what they will fetch in money ; extreme correctness not being necessary for illustration. Even in the exact science of geometry, the figures are given merely to make the demonstrations more intelligible ; strict accuracy is necessary in the reasoning and conclusions only.

avoidably, under any circumstances, be very precarious, and can never give any certain notion of the value that is likely to be received. Perhaps the most improvident course of all is, to stipulate for a particular denomination of money; for the same denomination may be affixed to any variation of weight or quality whatever; and the contracting party may find he has bargained for a name, rather than a value, and that he runs the risk of paying, or being paid, in mere words.

I have dwelt thus long upon the refutation of incorrect expressions, because they appear to have acquired too general a circulation*; and because they often confirm people in false notions and ideas, which ideas sometimes serve as the basis of erroneous systems, that in their turn give birth to conduct equally erroneous.

SECT. VII.

Of a Particularity, that should be attended to, in estimating the Sums mentioned in History.

IN reducing the money of former ages into money of the present day, the best informed historians have contented themselves with converting the actual quantity of gold and silver, designated by the term made use of by the authority cited,

* After the appearance of three editions of this work, *Sismondi* published his *Nouveaux Principes d'Econ. Pol.*; wherein, amongst many excellent chapters, there is one entitled, 'Money, the sign, token, and measure of value.' liv. v. c. 1.

into the current money of their own times. But this is not enough: the actual sum, the real amount of the metal, can give no correct notion of its then value, which is the very point we want to arrive at. It is, therefore, necessary to reckon, besides, the fluctuations of value that the metal itself has undergone.

A few examples will best explain my meaning:

Voltaire tells us, in his *Essay on Universal History* *, that Charles V. enacted, that the sons of France should have an annual revenue settled on them of 12,000 *livres*: and, as he reckons this sum to be equal to 100,000 *livres* of the present day, he naturally enough observes, that this was no great provision for the sons of the monarch. But let us examine the grounds of this calculation of Voltaire. First, he reckons that the mark of fine silver was, in the time of Charles V., worth about 6 *livres*; at this rate, 12,000 *livres* will make 2000 marks of silver, which, at their relative value at the date of Voltaire's writing, would in fact amount to 100,000 *livres*, or thereabouts. But 2000 marks of fine silver were worth in the reign of Charles V. much more than in the reign of Louis XV. Of this we shall be convinced, by a comparison of the relative average, at the two different periods, of pure silver to wheat, which we will take as one of the least variable.

Dupré of St. Maur, whose book† is an ample repository of learned information upon the value

* Edit. de Kehl, oct. tom. xvii. p. 394.

† *Rapport entre l'Argent et les Denrées*, p. 35.

of commodities, gives it as his opinion, that, from the reign of Philip Augustus, who died A. D. 1223, until about the year 1520, the *setier* of wheat (Paris measure) was worth, on the average, as much as $\frac{1}{9}$ of a mark of fine silver; *i. e.* about 512 *grains* weight.

About the year 1536, when the mark of silver was of the value of 13 *livres tournois*, or rather passed under the denomination of 13 *livres tournois*, the ordinary price of a *setier* of wheat was about 3 *livres tournois*, *i. e.* $\frac{3}{13}$ of a mark of fine silver, amounting to 1063 *grains* weight of that metal.

In 1602, under the reign of Henry IV., the mark of fine silver being at that time equal to 22 *livres*, the average price of the *setier* of wheat was 9 *liv.* 16s. 9d.; *i. e.* 2060 *grains* of fine silver. *

Since that period, the *setier* of wheat has, one year with another, been constantly worth about the same weight of silver. In 1789, when the mark was equivalent to 54 *liv.* 19s. the average price of wheat was, according to Lavoisier, 24 *liv.* the *setier*, *i. e.* 2012 *grains* of fine silver. I have not reckoned the fractions of *grains*, for in these matters it is enough to approximate to accuracy; indeed, the price of the *setier*, taken at the average of Paris and the environs, is itself but loosely calculated.

The result of this comparative statement is, that the *setier* of wheat, whose relative value to other commodities has varied little from 1520 down to

* For these calculations I am indebted to the, *Essai sur les Monnaies*, and the, *Variations dans les Prix*, both by Dupré de Saint Maur.

the present time, has undergone great fluctuations, being worth,

A. D. 1520	- -	512	gr. of pure silver.
1536	- -	1063	do. - do.
1602	- -	2060	do. - do.
1789	- -	2012	do. - do.

which shows, that the value of pure silver must have varied considerably since the first of these dates ; inasmuch as, on every act of exchange, four times as much of it must now be given for the same quantity of commodities, as was given three centuries ago. We shall see by-and-bye*, why the discovery of the American mines, and the influx into the market of about ten times as much silver as before, has operated to reduce its value only in the ratio of 4 to 1.

Now to the application of this information to the royal stipend in question : if pure silver was worth in the time of Charles V. four times as much as in the age of Voltaire, the settlement of 2000 marks upon the sons of France was equivalent to 8000 marks at present, that is to say, more than 400,000 *fr.* of our present currency. Which makes the observation of Voltaire upon the inadequacy of the provision much less applicable.

Raynal, though he wrote avowedly upon commercial matters, has committed a similar error, in estimating the public revenue in the reign of Louis XII. at 36 millions of our present money (*francs*), on the ground, that it amounted to 7,650,000 *liv.* of 11 *liv.* to the mark of silver.

* Book II. Chap. 4.

This sum, indeed, was equal to 695,454 marks of silver: but it would not be enough merely to reduce the mark into *livres* of the present day; for the same quantity of silver was then worth four times as much as it is now: so that, before reducing them into modern money, they should be multiplied by four, which will swell the public revenue under Louis XII. to a sum of 144 millions of *francs* of present currency.

Again, we read in Suetonius, that Cæsar made Servilius a present of a pearl worth 6 millions of *sestertii*, which his translators, La Harpe and Levesque, estimate to be equal to 1,200,000 *fr.* present money. But a little lower down, we find, that Cæsar, on his return to Italy, disposed of the gold bullion, accruing from the plunder of Gaul, for coin, at the rate of 3000 *sestertii* to the pound of gold. Which shows the pearl of Servilius to have been much under-rated. The Roman pound, according to Le Blanc, weighed $10\frac{2}{3}$ of our ounces; and $10\frac{2}{3}$ ounces of gold in Cæsar's time, were worth as much as 32 ounces of that metal at the present day: for it may reasonably be reckoned, that the value of gold has fallen in the ratio of 3 to 1.* Now 32 oz. of gold are worth nearly 3036 *fr.*, which may therefore be looked upon as

* 12 oz. of silver were given for 1 oz. of gold, in Cæsar's time. Wherefore, silver having fallen in the ratio of 4 to 1, 1 oz. of gold was worth as much in his days, as 48 oz. of pure silver, at the present period. But 48 oz. of silver are now worth 3 oz. of gold, or thereabouts: so that gold must have fallen in the ratio of about 3 to 1.

about the real value of 3000 *sestertii*: at which rate, the pearl in question must have been worth 6,072,000 *fr.*, and the Roman *sestertius*, somewhat more than a *franc* of our money; which is greatly beyond the ordinary estimate. *

When Cæsar laid hands upon the public treasures of Rome, in spite of the opposition of the tribune Metellus, he is stated to have found them to consist of 4130 lbs. of gold, and 80,000 lbs. of silver; which Verlot estimates to have amounted to 2,911,100 *liv. tourn.*; but upon what grounds I am at a loss to imagine. To form a tolerably correct notion of the treasure seized by Cæsar upon his usurpation, the 4130 lbs. of gold should be reduced into oz. of the French standard, at the rate of $10\frac{2}{3}$ oz. to the Roman lb.†, which makes

* The same error of calculation has led these translators involuntarily to under-rate the prodigality of the worst of the emperors. Thus we are told, that Caligula, in less than a year, squandered the whole of the treasure accumulated by Tiberius, amounting to 2700 millions of *sestertii*, which La Harpe translates into no more than 540 millions of *livres*: whereas, supposing the value of gold to have varied little between the days of Cæsar and of Caligula, which is probable enough, it will be found to amount to very nearly 3000 millions of *livres*. Indeed, it seems hardly possible, that a less sum would have sufficed for the monstrous extravagancies recorded of him.

Horace, Epist. 2. lib. ii., speaks of an estate, that, from the context, must have been a considerable one, as being of the value of 300,000 *sestertii*, which, according to my view, amounted to 303,600 *fr.* of our present money. His commentator, *Dacier*, perverts the meaning of the passage, by estimating the estate in question, at 22,500 *fr.* only.

† *Le Blanc, Traité des Monnaies*, p. 3., estimates the Roman lb. of 12 oz. at the actual weight of only $10\frac{2}{3}$ oz. of our standard, taking

44,052 oz. But, as the same weight of gold was then worth three times as much as at present, the value will appear to have been 132,156 oz. or 12,530,346 *fr.*, supposing the standard of quality in the gold to have been the same as at present. The 80,000 lbs. weight of silver also were then worth as much as 320,000 lbs. at the present period, *i. e.* 20,915,785 *fr.*, reckoning the Roman lb. at $10\frac{2}{3}$ oz., and taking the standard of quality to have been the same. Wherefore, the sum appropriated by the usurper amounted to 33,446,081 *fr.* of our money; which is greatly above Vertot's estimate of about 3 millions only.

From this specimen we may judge, how little reliance can be placed on the calculations of other historians, of less information and accuracy, than those I have been quoting. Rollin, in his *Antient*, and Fleury, in his *Ecclesiastical History*, have reckoned the *talentum*, *mina* and *sestertius*, according to the scale made out by some learned persons, under the administration of Colbert. This scale is liable to many objections: 1. it establishes upon very questionable *data*, the respective quantities of the precious metals contained in the coins of the antients, which is a primary source of error:

taking as a guide, the weight of some of the coins of the emperors, which are in a high state of preservation. The valuation, I have here given of the oz. of gold, takes it at the mint standard; viz. with a proportion of $\frac{1}{17}$ alloy; for I take it for granted, that the gold, thus laid hands upon by Cæsar, was not pure gold, but coin with a mixture of alloy.

2. the value of the precious metals had considerably varied, between the period of antiquity in question and the ministry of Colbert, which is another source of error: 3. the scale of reduction, drawn up under the direction of that minister, was calculated at the rate of 26 *liv.* 10 *sous*, to the mark of silver, being the then mint price of silver bullion; but this rate was altered before the days of Rollin, which is a third source of error. Lastly, since the date of his publication, that rate has been still further altered; and a *livre tournois* conveys to us the idea of a smaller quantity of silver, than it did in his time; and this is a fourth source of error. Thus, whoever now takes up that work, relying on the calculations therein contained, will entertain a most erroneous idea of the income and expenditure of the states of antiquity, as well as of their commerce, their resources, and every part of their system and organisation.

Not that I would be understood to say, that a writer of history can ever have sufficient *data*, to give his readers, in all cases, a correct notion of values in general; but, for the sake of a closer approximation to accuracy, than has hitherto been effected, in reducing the sums of antient times, and even of the middle ages, into modern money, I would recommend, what indeed is generally done, first, to enquire from those learned in antiquity, the actual weight of precious metal contained in the coin in question: secondly, as far back as the Emperor Charles V., that is to say, about the year

1520, that quantity, if gold, must be multiplied by 3 only, and if silver, by 4*; because the discovery of the American mines has occasioned a fall in nearly that proportion: and lastly, to reduce that quantity of gold or silver into the current money of the period, at which he may happen to be writing.

From the year 1520 downwards, the value of silver progressively declined until the latter end of the reign of Henry IV., that is to say, towards the beginning of the seventeenth century. We may judge of the depression of its value by the increasing price of any given commodity, in the manner explained in the preceding section. To acquire a correct notion of the value of the mark of silver during this period, it will be necessary to allow for a diminution in the ratio of the increased real, that is, metal, and not nominal or coin, price of commodities in general, or of any one, as wheat for instance, in particular.

From the beginning of the seventeenth century, there will be no occasion for any further allowance, after having reduced the money of the time being into marks of silver; for there does not appear to have been any further sensible decline in the value

* Until the period specified, the ratio of gold to silver in Europe was 1 to 12. At present, it is in most nations of Europe 1 to 14, or 1 to 15; so that, taking the average ratio in antient times at 1 to $11\frac{1}{2}$, and in modern times at 1 to 15, gold will have increased in relative value to silver in the proportion of 4 to 3. Wherefore, if gold be multiplied by 3, and silver by 4, the result will be equal.

of silver, since most commodities have been procurable for the same metal-price. It will be sufficient, therefore, to reduce them into the money current for the time being, according to the then current value of the mark of fine silver. *

By way of illustration, let us take the statement we find in the *Memoires de Sully*, viz. that this minister accumulated, in the vaults of the Bastile, a sum of 36 millions of *livres tournois*, to further the designs of his master against the house of Austria. If we wish to know the actual value of that hoard, we must, in the first place, examine what weight of fine silver it amounted to. The mark of fine silver was then represented by 22 *livres tournois*; consequently, 36 millions of

* I am disposed to believe, that the value of both gold and silver began again to decline about the commencement of the present century; for more gold and silver are now given for most of the commodities least liable to vary in the costs of production. (y)

(y) There is reason to believe, that the tide has now set strongly the other way; 1. Because the working of the mines of Spanish America, the great source of the production, especially of silver, has been suspended or abandoned in consequence of the revolutionary movements. 2. Because most of the European nations, and the United States also, are making a simultaneous effort to restore the convertibility or par of their paper, which is the same thing as discovering a fresh kind of utility in the metal. 3. Because the contraction of credit, the rival of money, consequent upon the general decline of prices, which this simultaneous attempt has occasioned, must necessarily still further enlarge the utility of the metal. T.

livres make 1,636,363 marks, 5 oz. of silver. There has been no sensible variation in the value of that metal since the period in question; for the same quantity of metal would then buy the same quantity of wheat as at present. Now, at the present time, 1,636,363 marks, 5 oz. or, in other terms, 399,588,018, 5 *grammes* of fine silver, coined into money, will make exactly 88,797,315 *fr.* A sum, indeed, that would go no great way in modern warfare; but it must be considered, that war is now conducted on a very different principle, and has become infinitely more wasteful, in reality as well as in name.

SECT. VIII.

Of the Absence of any fixed ratio of Value between one Metal and another.

THE same error, which led public functionaries to believe, that they could fix the relative value of any metal to commodities, has also induced them to determine by act of law the relative value of the metals employed as money, one to the other. Thus, it has been arbitrarily enacted, that a given quantity of silver shall be worth 24 *liv.*, and that a given quantity of gold shall likewise be worth 24 *liv.* In this manner, the ratio of the nominal value of gold to that of silver came to be legally established.

The pretension of authority was in both cases

equally vain and impotent ; and what has been the consequence? The relative value of the two metals to other commodities has, in fact, been constantly fluctuating, as well as the relative value of the metals themselves, when exchanged one for the other. Before the recoinage of gold, in pursuance of the *arrêt* of 13th October 1785, the *louis d'or* was commonly sold for 25 *liv.* and some *sous* of the silver coin. Consequently, people took good care not to pay in gold coin the sums bargained for in silver; otherwise, they would really have paid 25 *liv.* and 8 or 10 *sous* for every 24 *liv.* of the sum stipulated.

Since the recoinage in 1785, when the quantity of gold in the *louis d'or* was reduced by one-sixth, its value has nearly kept pace with that of 24 *liv.* in silver; so that gold and silver have been paid indifferently. However, it has still continued most customary to pay in silver, partly from long habit, and partly because the gold coin, being more liable to be clipped or counterfeited, was received with more caution, and liable to more frequent cavils about the weight and quality.

In England a different arrangement has produced an effect directly contrary. In the year 1728, the natural course of exchange fixed the relative value of gold to silver at $15 \frac{2}{3}$ to 1; say $15 \frac{1}{3}$ to 1, for the sake of simplicity; 1 oz. of gold was sold for $15 \frac{1}{3}$ oz. of silver, and *vice versa*. Accordingly, that ratio was established by law, 1 oz. of gold being coined into the nominal sum of 3*l.* 17*s.* 10½*d.* and $15 \frac{1}{3}$ oz. of silver into the same sum.

Thus, the government attempted permanently to fix a ratio, that is, in the nature of things, perpetually varying. The demand for silver gradually increased; its use for plate and other domestic purposes became more general; the India trade received an additional stimulus, and took off silver in preference to gold, for this reason, that the relative value of silver to gold is higher in the East than in Europe; so that, by the end of the last century, the ratio of these metals one to the other in England became about $14\frac{1}{2}$ to 1 only; and the same quantity of silver, that was coined into 3*l.* 17*s.* 10½*d.*, would then sell in the market for 4*l.* in gold. There was thus a profit on melting down the silver, and a loss on payments in that metal; for which reason, thenceforward, until the parliamentary suspension of specie payments by the Bank of England in 1797, payments of course were commonly made in gold.

Since 1797, all payments have been made in paper. But, if England shall return to a metallic currency, framed upon the former monetary principles and regulations, it is probable, that payments will be made in silver instead of gold, as before the suspension; for gold has risen in relative price to silver in the English market, probably in consequence of the large export of specie for commercial purposes, and greater difficulty of prevention in gold than in silver. Gold bullion in the English market is now to silver bullion in the ratio of about 1 to $15\frac{1}{2}$, although the mint ratio is still

1 to $15\frac{1}{4}$. A payment in gold instead of silver would, therefore, be a gratuitous sacrifice of the difference between $15\frac{1}{4}$ and $15\frac{1}{2}$. (z)

Hence may be drawn this conclusion; that it is impossible in practice to assign any fixed ratio of exchangeable value to commodities, whose ratio is for ever fluctuating; and, therefore, that gold and silver must be left to find their own mutual level, in the transactions in which mankind may think proper to employ them. *

* The relative position of gold and silver, in respect to value, is by no means determined by the respective supply of each from the mines. *Humboldt* states, in his *Essai Pol. sur la Nouvelle Espagne*, tom. iv. p. 222. oct. that silver is produced from the mines of America and Europe jointly, in the ratio to gold of 45 to 1. Now the ratio of their value, instead of being 45 to 1, is only

In Mexico	- -	$15\frac{1}{2}$	- - -	to	1
— France	- -	$15\frac{1}{2}$	- - -	-	1
— China	from	12	to	13	- 1
— Japan	—	8	-	9	- 1

The difference is probably owing to the superior utility and demand of silver for the purposes of plate, &c. as well as of money. It would seem, that this cause operates more forcibly in the East than in the West; for gold jewellery is relatively cheaper there than in our part of the world.

(z) The debtor will have no option of payment in either metal; for gold has most absurdly been constituted the sole material of legal money, except for fractional payments. The absurdity of the innovation has already been remarked upon, *suprà*, p. 370. note (p); but it had been partially effected before the suspension, silver coin being payable to a certain amount only. The restriction upon export is also removed, and that most properly; but the freight, carriage, and charges of export, are heavier on silver than on gold. T.

The above remarks upon the relative value of gold and silver are equally applicable to silver and copper, as well as to all other metals whatever. There is no more propriety in declaring, that the copper contained in twenty *sous* shall be worth the silver contained in a *livre tournois*, than in enacting, that the silver contained in 24 *liv. tournois* shall be worth the gold in a *louis d'or*. However, little mischief has been occasioned by fixing the ratio of copper to the precious metals, because the law does not authorize the payment of sums stipulated in *livres tournois* and *francs* in either copper, or the precious metals indifferently; so that, in reality, the only metal money recognized by law as legal tender, for sums above the value of the lowest denomination of silver coin, is silver or gold.

SECT. IX.

Of Money as it ought to be.

FROM all that has been said in the preceding sections may be inferred my opinion, of what money ought to be.

The precious metals are so well adapted for the purposes of money, as to have gained a preference almost universal; and, as no other material has so many recommendations, no change in this particular is desirable.

So also of their division into equal and portable

particles. They may very properly be coined into pieces of equal weight and quality, as has heretofore been the practice among most civilized nations.

Nor can there be any better contrivance, than the giving them such an impression, as shall certify the weight and quality ; or than the exclusive reservation to government of the right of impressing such certificate, and, consequently, of coining money ; for the certificate of a number of coiners, all working together and in competition one with the other, could never give an equal security.

Thus far, then, and no further, should the public authority intermeddle with the business of money.

The value of a piece of silver is arbitrary, and is established by a kind of mutual accord on every act of dealing between one individual and another, or between the government and an individual. Why, therefore, attempt to fix its value beforehand ? since, after all, the fixation must be imaginary, and can never answer any practical purpose, in the money transactions of mankind. Why give a denomination to this fixed, imaginary value, which money can never possess ? For what is a dollar, a ducat, a florin, a pound sterling, or a franc ; what, but a certain weight of gold or silver of a certain established standard of quality ? And, if this be all, why give these respective portions of bullion any other name, than the natural one of their weight and quality ?

Five *grammes* of silver, says the law, shall be equivalent to a *franc* : which is just as much as to say, 5 *grammes* of silver is equivalent to 5 *grammes* of silver. For the only idea, presented to the mind by the word *franc*, is that of the 5 *grammes* of silver it contains. Do wheat, chocolate, or wax, change their name by the mere act of apportioning their weight? A pound weight of bread, of chocolate, or of wax candles, is still called a pound weight of bread, chocolate, or wax candles. Why, then, should not a piece of silver, weighing 5 *grammes*, go by its natural appellation? Why not call it simply five *grammes* of silver?

This slight alteration, verbal, critical, and nugatory as it may seem, is of immense practical consequence. Were it once admitted, it would be no longer possible to stipulate in nominal value : every bargain would be a barter of one substantial commodity for another, of a given quantity of silver for a given quantity of grain, of butcher's meat, of cloth, &c. &c. Whenever a contract for a long prospective period was entered into, its violation could not escape detection : a person taking an obligation to pay a given quantity of fine silver, at a day certain, would know precisely how much silver he would have to receive at the period assigned, provided his debtor continued solvent.

The whole monetary system would thenceforth fall to the ground ; a system replete with fraud, injustice, and robbery, and moreover so com-

plicated, as rarely to be thoroughly understood, even by those who make it their profession. It would ever after be impossible to effect an adulteration of the coin, except by issuing counterfeit money; or to compound with creditors, without an open, avowed bankruptcy. The coinage of money would become a matter of perfect simplicity, a mere branch of metallurgy.

The denominations of weight, in common use before the introduction into France of the metrical system, that is to say, the *once*, *gros*, and *grain*, had the advantage of conveying the notion of portions of weight, that had remained stationary for many ages, and were applicable to all commodities whatever, without distinction: so that the *once* could not be altered for the precious metals, without altering it at the same time for sugar, honey, and all commodities sold by the weight: but, in this particular, the new metrical system is infinitely preferable. It is founded upon a basis provided by nature, which must remain invariable as long as our world shall last. The *gramme* is the weight of a cubic *centimetre* of water: the *centimetre* is the hundredth part of a metre and the metre is $\frac{1}{10,000,000}$ part of the arc formed by the circumference of the earth, from the pole to the equator. The word *gramme* may be changed, but no human power can change that portion of weight actually designated by the term *gramme*; and, whoever shall contract to pay at a future date a quantity of silver, equal to 100 *grammes* weight, can never pay a less quantity of silver, without a

manifest breach of faith, whatever arbitrary measures of power may intervene. (*a*)

The power of a government to facilitate the transactions of exchange and contract, wherein the commodity, money, is employed, consists in dividing the metal into different pieces of one or more *grammes* or *centigrammes*, in such manner, as to admit of instant calculation of the number of *grammes* a given payment will require.

It has been ascertained by the experiments of the Academy of Sciences, that gold and silver resist friction better with a slight mixture of alloy, than in a pure state. People versed in these matters say, besides, that this complete purity cannot be obtained, without a very expensive chemical process, that would add greatly to the expense of coinage. There is no sort of objection to mixing alloy, provided the proportion be signified by the impression, which should be nothing more than a

(*a*) Our author here seems to lose sight of the manifest injustice of a conscientious payment in full by a debtor, who receives from his own debtors, public and private, a fixed dividend only upon his claims. The feelings and consciences of mankind are so various, that it would be a gross want of equity not to reduce them in these instances to a common standard. The real value of metal itself is ever fluctuating; yet it would be preposterous to argue, that a conscientious man should pay his creditors in real value, not in the variable metal; and it would be equally preposterous to argue, that he ought rather to indemnify against an artificial, than against a natural fluctuation; for the vices and follies of authority are as much a matter of previous speculation, as the progress of human industry, or the chances of fortuitous discovery. T.

mere certificate of the weight and quality of the metal.

I make no mention of the terms *franc*, *decime*, *centime*, because those names should never have been given to the coin, being, in fact, names indicative of nothing whatever. The laws of France, instead of enacting that pieces, called *francs*, shall be coined, having the weight of 5 *grammes* of silver, should have simply ordered a coinage of pieces of 5 *grammes*. In which case, a letter of credit or bill of exchange, instead of being drawn for, say 400 *fr.*, would be for 2000 *grammes* of silver of the standard of $\frac{9}{10}$ silver to $\frac{1}{10}$ alloy; or, if preferred, for 130 *grammes* of gold of the same degree of purity (*b*); and the payment would be the most simple imaginable; for the pieces of coin, gold and silver, would be all fractions or multiples of the *gramme* of metal of that standard.

However, it would still be necessary to enact, that no sum stipulated in *grammes* of silver or gold should be payable otherwise than in coin, unless under a special proviso; else, the debtor might discharge all claims in bullion of somewhat less value than coin. This is obviously matter of practical arrangement; the principle requiring nothing,

(*b*) Our author's omission to notice the requisite of a national money, unity of material, has been already referred to. In practice, this is attained in the metallic money of France. All contracts are presumed to be for silver, unless the contrary be expressly stipulated; and gold is taken or given at the varying ratio for the time being. T.

but that the obligation, after mentioning the metal and standard, should specify on the face of it, whether payable in national coin or bullion. The only object of such a law would be, to save the continual necessity of enumerating many particulars, that would thenceforward be implied.

A government should never coin the bullion of private persons, without charging the profit, as well as the cost, of the operation. The monopoly of coinage will enable it to make this profit somewhat high; but it should be varied according to the state of metallurgic science, and the demand for circulation. Whenever the state has little to coin on its own account, it had better lower its charges, than let its machinery and workmen remain idle; and, on the other hand, raise its charges, when the influx of bullion is rapid and superabundant. And in this, it would but imitate other manufacturers. As to the bullion bought and coined by government on its own account, the coin issued would reimburse the charges, and yield a profit by its superior value in exchange; as I have endeavoured to prove above in Section 4.

To the marks indicative of weight and quality, should of course be superadded every device to prevent counterfeits.

I have not occupied my reader's time, with any observations on the relative proportion of gold to silver; nor was there any occasion to do so. Having avoided any specification of their value under any particular denomination, I shall pay no more attention to the alternating variations of that

value, than to the fluctuations in the relative value of both to all other commodities. This must be left to regulate itself; for any attempt to fix it would be vain. With regard to obligations, they would be dischargeable in the terms of contract: an undertaking to pay 100 *grammes* of silver would be discharged by the transfer of 100 *grammes* of silver; unless, at the time of payment, by mutual consent of the contracting parties, any other metal, or goods at a rate agreed on, should be substituted in preference.

It would be difficult to calculate the advantage, that would accrue to industry in all its branches, from so simple an arrangement; but some notion of it may be obtained, by considering the mischiefs, that have resulted from a contrary system. Not only has the relative pecuniary position of individuals been repeatedly upset, and the best planned and most beneficial productive enterprises altogether thwarted and rendered abortive; but the interests of the public, as well as of private persons, are, almost every where, subject to daily and hourly aggression.

A medium, composed entirely of either silver or gold, bearing a certificate, pretending to none but its real intrinsic value, and, consequently, exempt from the caprice of legislation, would hold out such advantages to every department of commerce, and to every class of society, that it could not fail to obtain currency even in foreign countries. Thus, the nation, that should issue it, would become a general manufacturer of money for

foreign consumption, and might derive from that branch of manufacture no inconsiderable revenue. We read in Le Blanc*, that a particular coin issued by St. Louis, and called *agnels d'or*, from the figure of a lamb impressed upon them, was in great request even among foreigners, and a favourite money in commercial dealings, for the sole reason, that it invariably contained the same quantity of gold, from the reign of St. Louis to that of Charles VI.

Should France be so fortunate as to make this experiment, I hope none of those, who do me the honor to read this work, will feel any regret at the drain of its money, to use the expression of certain persons, who neither know nor choose to learn any thing of the matter. It is quite clear, that neither silver nor gold coin will go out of the kingdom, without leaving behind a value fully equivalent to the metal and the fashion it bears. The trade and manufacture of jewellery for export are considered lucrative to the nation; yet, they occasion an outgoing of the precious metals. The beauty of the form and pattern adds, to be sure, greatly to the price of the metal thus exported; but the accuracy of assay and weight, and, above all things, the maintenance of the coin at an inviolable standard of weight and quality, would be an equal recommendation, and would undoubtedly be just as well paid for.

Should it be objected, that the same system was

* *Traité Hist. des Monnaies de la France, Prolegom.* p. 4.

adopted by Charlemagne, when he called a pound of silver a *livre*, and that notwithstanding the coin has been since repeatedly deteriorated, until, at last, what was called a *livre*, contained, in fact, but 96 gr., I answer : —

1. That, neither in the time of Charlemagne, nor at any subsequent period, has there ever been a coin containing a pound of silver; that the *livre* has always been a money of account, an ideal measure. The silver coin of Charlemagne and his successors consisted of *sols* of silver, the *sol* being a fractional part of the pound weight.

2. None of the coin has ever borne on the face of it the indication of the weight of metal it contained. There are extant in the collections of medals many pieces coined in the reign of Charlemagne. The impression was nothing more than the name of the monarch, with the occasional addition of the name of the town where the coin was struck, executed in very rude characters; which, indeed, is not to be wondered at, considering that the monarch, though an avowed patron of literature, was himself unable to write.

3. The coin was yet further from bearing any thing indicative of the standard quality of the metal, and this was the thing first encroached upon; for the *sol* in the reign of Philip I. still contained the same fractional weight of the *livre* as originally; but it was made up of 8 parts silver to 4 copper, instead of containing, as under the second race of monarchs, 12 oz. of fine silver, which was the then weight of the *livre*.

The very singular state of the actual money of England, and the extraordinary circumstances, that have occurred in respect to it since the first editions of this work appeared, have given a decisive proof, that the mere want of an agent of circulation, or, of the commodity, money, is sufficient to support a paper-money absolutely destitute of security for its convertibility at a high rate of value, or even at a par with metal, provided it be limited in amount to the actual demand of circulation. * Whence some English writers of great intelligence in this branch of science have been led to conclude, that, since the purposes of money call into action none of the physical and metallic properties of its material, some substance less costly than the precious metals; paper, for instance, may be employed in them with good effect, if due attention be paid to keep the amount of the paper within the demands of circulation. The celebrated Ricardo has, with this object, proposed an ingenious plan, making the Bank or corporate body, invested with the privilege of issuing the paper-money, liable to pay in bullion for its notes on demand. A note, actually convertible on demand into so much gold or silver bullion, cannot fall in value below the value of the bullion it purports to represent; and, on the other hand, so long as the issues of the paper do not exceed the wants of circulation, the holder will have no inducement to present it for

* *Vide* our author's pamphlet, entitled, *de l'Angleterre, et des Anglais*, 1815, 3d edition, p. 50. *et. seq.*

conversion; because the bullion, when obtained, would not answer the purposes of circulation. If a casual interruption of confidence in the paper should bring it for conversion in too large quantity, the paper remaining in circulation must rise in value, in the absence of any other circulating medium, and there would be an inducement to bring bullion to the bank to be converted into paper.*

* *Proposals for an economical and secure Currency*, by D. Ricardo. 1816. It seems, the British legislature has since adopted the expedient of that writer, in 1819. The experiment is yet in progress; and whatever be its ultimate result, it must needs advance the interests of the science. (c)

(c) Had our author paid a second visit to this country, or examined more minutely its internal operations, he would have found, that the plan of Ricardo had been but partially adopted; and that, in its adoption, the legislature has set out with a capital error, viz. the preference of gold to silver. The vaunted expedient of Ricardo has been adopted only for a probationary and preparatory state of things, and will be discarded in 1822, if the return to metal be persisted in, and the country be not ruined and its government overset in the interim. The plan actually adopted is one of a progressive reduction of money-prices, during 4 years, at the expiration of which, pure convertibility is to be restored. Thus, all the three branches of industry must languish for that period, and commerce more than the other two. And, unless a change take place in the state of Spanish America, whence the precious metals are chiefly derived, it may be expected, that, even after the 4 years, industry will still suffer from a continued reduction of money-prices, and continued rise in the real value of gold and silver. So that those, who look upon the present suffering as temporary, may be woefully deceived

in

SECT. X.

*Of a Copper and base Metal * Coinage.*

THE copper coin and that of base metal are not, strictly speaking, money ; for debts cannot be legally tendered in this coin, except such fractional sums, as are too minute to be paid in gold or silver. Gold and silver are the only metal-money of almost all commercial nations. Copper coin is a kind of transferable security, a sign or representative of a quantity of silver too diminutive to be worth the coining ; and, as such, the government, that issues it, should always exchange it on demand for silver, when tendered to an amount equal to the smallest piece of silver coin. Otherwise, there is no security against the issue of an excess beyond the demand of circulation.

* *Billon*, a compound of copper and silver, containing $\frac{1}{4}$ or $\frac{1}{2}$ only of the latter, and the residue of the former. It is used in the fractional coinage of France, to supersede the employment of copper in large quantities.

in their calculations. It is hardly necessary to repeat, that, to the productive classes, a gradual rise of price is a season of prosperity, and a gradual decline, of proportionate adversity. The individual distress and national impoverishment, already resulting from this experimental and theoretical mania, are before every man's eyes, and have long since made all reasoning men curse the hour, when the bullion discussion commenced, T.

Whenever there is such an excess, the holders, finding the base metal less advantageous, than the gold and silver it represents but does not equal in value, would strive to get rid of it in every way; whether by selling to a loss; or by employing it in preference to pay for low-priced articles, which would consequently rise in nominal price; or by proffering it to their creditors in larger quantity, than enough to make up the fractional parts of sums in account. The government, having an interest in preventing its being at a discount, because that would reduce the profit upon all future issues, generally authorises the latter expedient.

Before 1808, for instance, it was a legal tender at Paris to the extent of $\frac{1}{40}$ of every sum due; which had exactly the same effect, as a partial debasement of the national currency. Every body knew, when a bargain was concluded, that he was liable to be paid in the proportion of $\frac{1}{40}$ copper or brass metal, to $\frac{39}{40}$ silver, and made his calculation accordingly, on terms proportionably higher, than if no such regulation had existed. It is with this particular, precisely as with the weight and standard of the silver coin; sellers do not stop to weigh and assay every piece they receive; but the dealers in gold and silver, and those connected with the trade, are perpetually on the watch to compare the intrinsic, with the current, value of the coin; and, whenever their values differ, they have an opportunity of gain; their operations to obtain which, have a constant tendency to put the current value of the coin on a level with its real value.

The obligation to receive copper in any considerable proportion, has, in like manner, an influence upon the exchange with foreigners. There is no question, that a letter of exchange on Paris payable in *francs* is sold cheaper at Amsterdam, in consequence of the liability to receive part payment in copper or base metal; just as it would be, if the *franc* were made to contain less of silver and more of alloy.

Yet, it is to be observed, that, on the whole, the value of money is not so much affected by this circumstance, as by the mixture of alloy; for the alloy has positively no value whatever, for the reasons above stated *; whereas, the copper money, payable in the ratio of $\frac{1}{400}$, had a small intrinsic value, though inferior to the sum in silver, it was made to pass for: had it been of equal value, there would have been no occasion for an express law to give it currency.

As long as a government gives silver on demand for the copper and base metal regularly presented, it can with little inconvenience give them very trifling intrinsic value; the demand for circulation will always absorb a very large quantity, and they will maintain their value as fully, as if really worth the fractional silver represented; on exactly the same principle, as a bank-note passes current, and that too for years together, without any intrinsic value, just as well as if really worth the sum it purports on the face of it to contain. In this man-

* *Suprà*, p. 355.

ner, such a coinage can be made more profitable to the government, than by any compulsion to receive it in part payment; and the value of the legal coin will suffer no depreciation. The only danger is that of counterfeits, which there is the stronger stimulus for avarice to fabricate, in proportion as the difference between the intrinsic, and the current, value grows wider.

The last king of Sardinia's predecessor, in attempting to withdraw from circulation a base currency, issued by his father in a period of calamity, had more than thrice the quantity originally issued by the government thrown upon his hands. The same thing happened to the king of Prussia, when, under the assumed name of the Jew Ephraim, he withdrew the base coin, he had compelled the Saxons to receive, during his distresses in the seven years' war*; and for exactly the same reason. Counterfeits of the coin are usually executed beyond the national frontier. In England, it was attempted to remedy this evil in the year 1799, by a coinage of halfpence with a very fine impression, and executed with an attention and perfection, that counterfeiters can rarely bestow.

SECT. XI.

Of the preferable Form of Coined Money.

THE wear of the coin by friction is proportionate to the extent of its surface. Of two pieces of coin,

* *Mongez, Consider. sur les Monnaies*, p. 31.

of equal weight and quality, that will suffer least from continual use, which offers the least surface to the friction.

The spherical or globular form is, consequently, preferable in this respect, as least liable to wear; but it has been rejected on account of its inconvenience.

Next to this form, the cylinder, of equal depth and breadth is that, which exposes the smallest surface; but this is fully as inconvenient as the other; the form of a very flat cylinder has, consequently, been very generally adopted. However, from what has been already said, it will appear, that the less it is flattened the better; and that the coin should rather be made thick than broad.

With regard to the impression, the chief requisites are, 1. that it specify the weight and quality of the piece; 2. that it be very distinct, and intelligible to the meanest capacity; 3. that the die oppose all possible difficulties to the defacing or reducing of the coin; that is to say, that it be so contrived, that neither the ordinary wear nor fraudulent practices should be able to reduce the weight without destroying the impression. The last coined English half pence have a cord, not projecting, but indented in the thickness of the circumference, and occupying the central part of the circumference only, so as to make it liable neither to clipping nor wear. This mode might be adopted in the silver and gold coinage with certainty of success; and it is of much more consequence to prevent their deterioration.

When the impression is in basso rilievo, it should project but little, for the convenience of piling the pieces one upon another, as well as to reduce the friction. On the same account, a projecting impression should not be too sharp on the surface, or it would wear away too rapidly. With a view to prevent this, experiments have been made of dies executed in alto rilievo; but it was found, that the coin was thereby too much weakened, and liable to be bent or broken. This plan, however, might possibly be practised with advantage, if the pieces were secured by greater thickness.

The same motive of giving to the coin the least possible surface, should induce the government to issue as large pieces as convenience will admit; for the more pieces there are, the greater is the surface exposed to friction. No more small pieces of coin should be issued, than just enough to transact exchanges of small amount, and to pay fractional sums. All large sums should be paid in large pieces of coin.

SECT. XII.

Of the Party, on whom the Loss of the Coin by Wear should properly fall.

It has been a question, who ought to defray the loss, consequent upon the friction or wear of the coin? In strict justice, the person who had made use of it, in like manner as the wearer of any other commodity. A man, that re-sells a coat after having

worn it, sells it for less than he gave for it when new. So a man, that sells a crown piece for some other commodity, should sell it for less than he gave; that is to say, should receive a smaller quantity of goods than he obtained it with.

But the portion of a specific coin, consumed in its passage through the hands of any one honest person, is less than almost any assignable value. It may circulate for many years together, without any sensible diminution of its weight; and, when the diminution is discovered, it may be impossible to tell, by which of the innumerable holders it was effected. I am aware, that each of them has imperceptibly shared the depreciation of its exchangeable value, occasioned by the wear; that the quantity of goods it would purchase has declined by an insensible gradation; that, although the depreciation has been imperceptibly progressive, it becomes at last very manifest; and, that worn money will not be taken at par with new coin. Consequently, I think, that, if an entire class of coin were gradually so reduced, as to make a recoinage necessary, its holders could not in reason expect, that their reduced coin should be exchanged for new at par, piece for piece. Their money should be received, even by the government, at no more than its real value; the silver it contains is less in quantity than at the first issue; and it has been received by the holders at a lower rate of value; they have given for it less goods, than they would have done in the outset.

In fact, this is the course that rigid justice would

prescribe ; but there are two reasons, why it should not be strictly enforced.

1. Each individual piece of coin is not, if I may be allowed the expression, a substantive article of commerce. Its exchangeable value is calculated, not according to the weight and quality of the identical piece in question, but according to the average weight and quality of the coin in large quantities, as ascertained by common experience. A crown piece of an earlier date, and more worn, is yet freely received in exchange for one more new and perfect ; the difference is sunk in the average. The mint issues new pieces every year of the full weight and standard, which prevents the coin from declining sensibly in value, in consequence of the friction, even for many years after its issue.

This circumstance is illustrated by the fact, of the French pieces of 12 and 24 *sous* passing current at par with the crown-piece of 6 *livres* without any difficulty ; although the same nominal sum, in the shape of the worn pieces of 12 and 24 *s.*, contained in reality about $\frac{1}{4}$ less silver than the crown-piece.

The subsequent law, which prohibited their being taken by the public receivers or private persons at more than 10 and 20 *sous*, rated them at their full intrinsic value, but below the rate, at which the then holders had taken them. For their value had been previously kept up to 12 and 24 *sous* in spite of the wear, by reason of their passing current at par with the crown-piece. Thus, the last holder

was saddled with the entire loss of a friction, to which the innumerable hands they had passed through had all contributed.

2. The impression is equally effectual in giving currency at the last as at the first, although it becomes in course of time scarcely, if at all visible; witness the shillings of England. The coin derives, as above explained, a certain degree of value from the mere impression, which value has been admitted and recognized throughout, until it reaches the ultimate holder, who has in consequence received it at a higher rate, than he would a piece of blank bullion of equal weight. To saddle him with the difference, would be to make him lose the whole value of the impression, although it has been equally serviceable to perhaps a million of others.

On these grounds, I am inclined to think, the loss by wear, and that of the impression, should be borne by the community at large; that is to say, by the public purse: for the whole society derives the benefit of the money; and it is impossible to tax each individual, in the precise proportion of the use he has made of it. (*d*)

To conclude; every individual, that carries bullion to the mint to be coined, may be fairly charged the

(*d*) If taxation be imposed with any degree of equity, the object will be attained with sufficient accuracy; for each person, in his general quota of taxation, will pay in the ratio of the use he makes of money, not for commercial or productive, but for consumptive, purposes. T.

expenses of the process, and, if thought advisable, the full monopoly-profit. Thus far there is no harm done : his bullion is increased in value to the full amount of what he has been charged by the mint ; otherwise, he would never have carried it thither. At the same time, I am of opinion, that the mint should always give a new piece in exchange for an old one on demand : which need nowise interfere with the utmost possible precautions against the clipping and debasing of the coin. The mint should refuse such pieces, as have lost certain parts of the impression, which are not liable to fair and unavoidable wear ; and the loss in that case should fall on the individual, careless enough to take a piece thus palpably deficient. The promptitude, with which the public would take care to carry injured or suspicious pieces to the mint, would greatly facilitate the detection of fraudulent practices.

With diligence on the part of the executive, the loss arising from this source might be reduced to a mere trifle, and the system of national money would be materially improved, as well as the foreign exchange. (*e*)

(*e*) With regard to the foreign exchange, nothing more is requisite, than steadiness of value in the home market, for the better calculation of inter-national dealings. But it is quite immaterial to the nation, whether its money be permanently high or permanently low in foreign estimation, so that its value be permanent, and do not, by its repeated vibration, discourage foreign ventures by the uncertainty of the returns.

Before dismissing the important subject of money, it may be observed,

observed, that it is very questionable, whether it has been rightly classed by our author under the head of Production, and be not properly referable to that of Distribution, treated of in Book II. For money, the agent of transfer and exchange, the material medium of facilitation employed to simplify the operations of barter, takes no part in the business of actual production, but operates merely upon products already raised for transfer and circulation. It is true, that the raw products of nature, and the primary products of nature and industry combined, cannot be wrought and modified by manufacture in all its ramifications, unless circulated from hand to hand in some way or other. Yet the modification is effected, not by the act of circulation or transfer, but by the act of manufacture, to which it leads. The agent of transfer is, therefore, not itself productive; it only conduces to production. The same may be said of commerce in general, which actually neither compounds, nor decomposes, nor modifies material objects, but merely alters their locality; wherefore, it is strictly not the producer, but simply the carrier and dispenser; of products. For practical purposes, the distinction is not very important; but, in reducing political economy to the form and consistence of a science, it is essential to observe these boundaries and landmarks. Our author treats locality as a modification; but this is an abuse of the term; locality is wholly extrinsic of the material object, and never can be numbered amongst its inherent qualities. T.

CHAP. XXII.

OF SIGNS OR REPRESENTATIVES OF MONEY.

SECT I.

Of Bills of Exchange and Letters of Credit.

A BILL of exchange, a promissory note or cheque, and a letter of credit, are written obligations to pay, or cause to be paid, a sum of money, either at a future time, or at a different place.

The right conveyed by the assignment of these engagements, though not capable of being enforced immediately, or elsewhere than at the stipulated place, yet gives them an actual value, greater or less according to circumstances. Thus, a bill of exchange for 100 *fr.*, payable at Paris at two months date, may be negotiated or sold, at pleasure, at the rate of, say 99 *fr.*; while a letter of credit of like amount, payable at Marseilles in the same space of time, will, perhaps, be worth at Paris but 98 *fr.*

These engagements may be used as money in all transactions of purchase, as soon as they are invested with actual present value, by the prospect of their future value; indeed, most of the greater

operations of commerce are effected through the medium of these securities.

Sometimes, the circumstance of a bill of exchange being payable at another place will increase, instead of diminishing, its value; but this depends upon the state of commerce for the time being. If the merchants of Paris have large payments to make to those of London, they will readily give more money at Paris for a bill upon London, than it will produce to the holder at the latter place. Thus, although the pound sterling contain precisely as much silver as *24 fr. 74 cents.* they will, perhaps, give at Paris *25 fr.*, more or less, for every pound sterling payable in London.*

This is what is called the course of exchange, being, in fact, a mere specification of the quantity of precious metal people will consent to give, for the transfer of a right to receive a given quantity of the same metal at any other specified place. The particular locality of the metal reduces or increases its value, in relation to the same metal situated elsewhere.

The exchange is said to be in favor of any country, France for example, whenever less of the precious metal is there given for, than will be produced by, a bill of exchange upon another country; or whenever in the foreign country more of the precious metal is given for a bill of exchange on France,

* If the credit on London be payable in paper-money instead of specie, the course of exchange with Paris of the pound sterling, may, perhaps, fall to *21 fr. 18 fr.* or even less, in proportion to the discredit of the paper of England.

than it will there produce to the holder. The difference is never very considerable, and cannot exceed the charge of transporting³ the precious metal itself; for, if a foreigner, who wants to make a payment at Paris, can remit the sum in specie at less expense than he could be put to by the existing course of exchange, he would undoubtedly remit in specie. *(a)

It has been imagined by some people, that all debts to foreigners can be paid by bills of exchange; and measures have been frequently suggested, and sometimes adopted, for the encouragement of this fictitious mode of payment. But this is a mere delusion. A bill of exchange has no intrinsic value;

* In that expense I include the charge and risk of transport, and of smuggling also, if the export of specie be prohibited; which latter is proportionate to the difficulty of the operation. These risks are estimated in the rate of insurance.

(a) The fluctuations of foreign exchange are sometimes very great indeed, especially when the course of inter-national dealing is interrupted by external operations of the state. Bills on England were at an enormous discount in Spain, during the Peninsular war, on account of their excessive quantity; and the discount far exceeded the charge of buying and remitting specie; but this was in consequence of the grossest mismanagement of the English government, and the unchecked roguery of its agents. The exchange between England and her colonies is subject to most violent oscillations, occasioned chiefly by the irregular dealings of the government at home. With Ireland and India the exchange is usually very much in favor of England, on account of the regular efflux of revenue thither from both those quarters, to be consumed without return. T.

it can only be drawn upon any place for a sum actually due (*b*) at that place ; and no sum can be there actually due, unless an equal value, in some shape or other, has been remitted thither : the imports of a nation can only be paid by the national export ; and *vice versâ*. Bills of exchange are a mere representative of sums due ; in other words, the merchants of one country can draw bills on those of another for no more, than the full amount of the goods of every description, silver and gold included, which they may have sent thither directly or indirectly. If one country, say France, have remitted to another country, Germany perhaps, merchandise to the value, of 10,000,000 *fr.*, and the latter have remitted to the former to the amount of 12,000,000 *fr.*, France can pay as much as ten millions by the means of bills of exchange, representing the value of her export ; but the remaining two millions cannot be so discharged directly, although possibly they may by bills of exchange upon a third country, Italy for instance, whither she may have exported goods to that extent.

There is, indeed, a species of bills, called by commercial men, accommodation-paper, which actually represents no value whatever. A mer-

(*b*) Or a credit actually existing, *vide infra* ; and that is the traffic of those who deal expressly in exchanges. They alternately lend each other their local credit or money, for the purpose of facilitating the circuitry of dealing ; taking care to square the whole account, and pocket a profit upon the operation, sufficient to indemnify for the risk and trouble. T.

chant at Paris, in league with another of Hamburgh, draws bills upon his correspondent, which the latter pays or provides for, by re-drawing and negotiating or selling bills at Hamburgh upon his correspondent at Paris. So long as these bills are in possession of any third person, that third person has advanced their value. The negotiation of such accommodation-paper is an expedient for borrowing, and a very expensive one; for it entails the loss of the banker's commission, brokerage, and other incidental charges, over and above the discount for the time the bills have to run. Paper of this description can never wipe out the debt, that one nation owes another; for the bills drawn on one side balance and extinguish those on the other. The Hamburgh bills will naturally counterpoise those of Paris, being in fact drawn to meet them; the second set destroys the first, and the result is absolute nullity.

Thus, it is evident, that one nation cannot otherwise discharge its debts to another, than by remittance of actual value in goods or commodities, in which term I comprise the precious metals, amongst others, to the full amount of what it has received or owes. If the actual values directly remitted thither are insufficient to balance the receipts or imports thence, it may remit to a third nation, and thence transport produce enough to make up the deficit. How does France pay Russia for the hemp and timber for ship-building imported thence? By remittance of wines, brandies, silks, not merely to Russia, but, likewise, to Hamburgh

and Amsterdam, whence again a remittance of colonial and other commercial produce is forwarded to Russia.

Governments have commonly made it their object to contrive, that the precious metals shall form the largest possible portion of the national import from, and the least possible portion of the national export to, foreign countries. I have already taken occasion to remark, with regard to what is improperly called, the balance of trade, that, if the national merchant finds the precious metals a more profitable foreign remittance than another commodity, it is, likewise, the interest of the state to remit in that form ; for the state can only gain and lose in the persons of its individual subjects ; and, in the matter of foreign commerce, whatever is best for the individuals in the aggregate, is best for the state also. * Thus, when impediments are thrown in the way of the export of the precious metals by individuals, the effect is, to compel an export in some other shape, less advantageous to the individual and the public too.

* This position applies to foreign commerce only ; the monopoly-profits of individuals in the home-market are not entirely national gains. In internal dealings, the sum of the utility obtained is all that is acquired by the community.

SECT. II.

Of Banks of Deposit. (c)

THE constant intercourse between a small state and its neighbours occasions a perpetual influx of foreign coin. For, although, the small state may have a national coinage of its own, yet, the frequent necessity of taking the foreign instead of the national coin in payment, requires the fixation of the ratio of their relative value, in the current transactions of business.

There are many mischiefs attending the use of foreign coin, arising chiefly from the great variation of weight and quality. It is often extremely old, worn, and defaced; not having participated in the general re-coinage of the nation that issued it, where, perhaps, it is no longer current; all which circumstances, though considered in settling its current relative value to the local coin, yet, do not quite reduce it to the natural level of depreciation. (*d*)

(*c*) Banks of this description do not strictly come under the head of this chapter, but those of circulation only. However, it was hardly worth while to treat of them in a separate chapter. A different arrangement, and a separate consideration of the respective agency of money and of credit, in the business of circulation and transfer of value, would have obviated this, as well as other incongruities. T.

(*d*) The inconveniencies here rather alluded to than detailed, are better avoided by the utter absence of a national coinage,
than

Bills drawn from abroad upon such a state, being payable in the coin thus rendered current, are, in consequence, negotiated abroad at some loss; and those drawn upon foreign countries, and, consequently, payable in coin of a more steady and intelligible value, are negotiated in the smaller state at a premium, because the holder of them must have purchased them in a depreciated currency. In short, the foreign coin is always exchanged for the local currency to a loss. (e)

The remedy devised by states of this inferior class is the subject of the present section. They established banks *, where private merchants

* Venice, Genoa, Amsterdam, and Hamburgh had each an establishment of this nature. All have been swept away by the torrent of the revolutionary war; but there may be some use in examining the nature of institutions, that may some day or other be re-established. Besides, the investigation will throw light upon the history of the communities that established them, and of commerce in general. At any rate, it was necessary to enumerate all the various expedients, that have been resorted to as substitutes for money.

than by the expedient of banks of deposit. And many small states have wisely abstained from engaging in this branch of manufacture; contenting themselves with making choice of the best coinage of other nations. According to our author, *suprà*, p. 375., the United States would have done better had they continued to use the Spanish dollar without the ceremony of re-stamping.

(e) Why, our author has not told us; but it may be inferred, because the local currency is made up of foreign and domestic coin. This is by no means a necessary consequence;

could lodge any amount of local national coin, of bullion, or of foreign coin, reckoned by the bank as bullion; and the amount, so lodged, was entered as so much money of the legal national standard of weight and quality. At the same time, the bank opened an account with each merchant making such deposit, giving him credit for the amount of the deposit. Whenever a merchant wanted to make a payment, there was no occasion to touch the deposit at all; it was sufficient to transfer the sum required, from the credit of the party paying, to that of the party receiving. Thus, values could be transferred continually by a mere transfer in the books of the bank. The whole operation was conducted without any actual transfer of specie; the original deposit, which was entered at the real intrinsic value at the time of making it, remained as security for the credit transferred from one person to another; and the specie, so lodged with the bank, was exempt from any reduction of value by wear, fraud, or even legislative enactment.

The money still remaining in circulation, wherever it was exchanged for the bank deposits, that is to say, for entries in the bank books, necessarily lost in proportion to the reduction of its intrinsic value. And this loss occasioned the difference of

for the local authority may have left the contracts of individuals quite free; and their paper dealings may be expressed in any coin that may be preferred. T.

value, or *agio*, at Amsterdam, between bank-money and circulating-money, which was on the average from 3 to 4 per cent. in favor of the former.

It will easily be imagined, that bills of exchange, payable in a currency so little liable to injury or fluctuation, must be negotiable on better than ordinary terms. In fact, it was observable, that on the whole, the course of exchange was rather in favor of the countries, that paid in bank, and unfavorable to those, that paid in circulating money only. (*f*)

The bank retained these deposits in perpetuity ; for the re-issue would have been attended with serious loss ; inasmuch as it would have been the same thing, as producing good money of the full original value, to be taken at par with the deteriorated circulating coin, which passes current for — not its intrinsic, but its average weight. The coin withdrawn from the bank would have been mixed up with the mass of circulation, and passed current at par with the rest. So that the withdrawing such deposits would have been a gratuitous sacrifice of the excess of value of bank, above circulating money.

(*f*) If it were so, it must have been owing to some other cause. For the sole effect of the bank was, to preserve the weight and quality of the metal, which might have been better done by a skilful coinage, whereby the coin may be invested with some artificial value by proper limitation of the quantity ; whereas, the hoards in the vaults of the bank can have no artificial value, but are treated as mere bullion. The utmost benefit to the exchange could not have exceeded that, which a good national coinage would have afforded, whereon no seignorage had been charged. T.

This is the nature of banks of deposit; most of which combined other operations with the primary object of their institution, but of them I shall speak elsewhere. They derived their profits, partly from a duty levied upon every transfer, and partly from operations incident to, and compatible with their institution; as, for example, advances made upon a deposit of bullion.

It is evident, that the inviolability of the deposit, confided to them, is essential to the success of such establishments. At Amsterdam, the four burgomasters, or municipal magistrates, were trustees for the creditors. Annually, on leaving office, they handed over the trust to their successors, who, after inspecting the account and verifying it by the registers of the bank, bound themselves by oath, to surrender their charge inviolate to their successors in office. This trust was scrupulously executed from the first establishment of the bank in 1609 until 1672, when the forces of Louis XIV. penetrated as far as Utrecht. The deposits were then faithfully restored to the individuals. It would seem to have been afterwards less scrupulously managed; for, when the French took possession of that capital in 1794, and called for a statement of the concern, it was found to be in advance of no less a sum than 10,624,793 *florins* to the India company, and to the provinces of Holland and West Friezeland, which were wholly unable to re-pay it. In a country governed by a power without control or responsibility, it may be

expected, that such a deposit would have been still more exposed to violation. (g)

SECT. III.

Of Banks of Circulation or Discount, and of Bank-notes, or Convertible Paper.

THERE is another kind of banks, founded on totally different principles; consisting of associated capitalists, subscribing a capital in transferable shares, to be employed in various profitable ways, but chiefly in the discount of bills of exchange, that is to say, the advance of the value of commercial paper not yet due, with the deduction of interest for the time it has to run, which is called, the discount.

These companies, with a view to enlarge their

(g) Public banks of deposit are now quite obsolete, and will probably never be revived. In fact, they are clumsy expedients, suited only to the early stages of commercial prosperity, and are liable to many inconveniences. They hold out a strong temptation to internal fraud and violence, as well as to external rapacity; they withdraw from active utility a large portion of the precious metals, which might perhaps be turned to better account elsewhere; and they yield a degree of facility of circulation nowise superior to what may be afforded by the common process of banking, except perhaps in security, and infinitely more expensive to the public and to individuals. They have accordingly been every where supplanted by banks of circulation, or by the expedient of an inconvertible paper-money. T.

capital (*h*), and extend their business, commonly issue notes, purporting to bear a promise to pay to bearer at sight, the gold or silver specified on the face of them. Their security for the due discharge of these engagements is, the commercial paper held by the bank, and subscribed by individuals in solvent circumstances; for the company gives its notes in discount, or, what is the same thing, in purchase of this paper.

The private commercial paper, indeed, having a term to run before it falls due, cannot be available in discharge of notes payable at sight; for which reason, every well-conducted bank of circulation confines its advances of cash, or notes payable in cash at sight, to the discount of bills at very short dates, and is careful to have always in hand a considerable amount of specie, probably a third, or as much as the half of the total amount of their circulating notes; and, even with all possible caution, it is at times greatly embarrassed, whenever a want of confidence in its solvency, or any untoward event, causes a sudden run upon the bank for cash. The bank of England has been obliged, on an occasion of this kind, to scrape together as many sixpences as it possibly could find, to gain time by the delay inseparable from payments in such a diminutive coin, until a part of the paper in its possession had fallen due.

(*h*) Or rather, the power of their capital; for credit is not capital, any more than convertible notes are money. T.

The discount bank of Paris, in the year 1788, being then under control of Government, had recourse to similar paltry expedients.

The profits of banks of circulation are very considerable; that portion of the notes, which is issued on the credit of private commercial paper, continues running at interest; for the advances have been made with the deduction of the discount. But the portion of the paper, issued on the credit of the specie in reserve, brings no profit; the interest lying dormant in the specie thus withdrawn from circulation.

The banks of England and France make no advances to private persons, except on bills of exchange, and give no credit beyond the funds in hand. They indemnify themselves for the trouble of receiving and paying on account of individuals, by turning to account the floating balance left in their hands. These two establishments have, besides, undertaken the business of paying the interest upon the respective national debts, receiving an allowance for their trouble: furthermore, they occasionally make advances to the governments.

From these various operations, they derive a great increase of their profits. The one last mentioned, however, is completely at variance with the purposes of their establishment, as we shall presently find. The advances made to the old government of France by the then bank of discount, and those of the bank of England to the English government, compelled those bodies to apply to

the respective legislatures to give their notes a compulsory circulation; thus destroying their fundamental requisite of convertibility. The consequence has been, that the former of these banks went all to pieces, and the latter (i)

The establishment of several banks, for the issue of convertible notes, is more beneficial than the investment of any single body with the exclusive privilege; for the competition obliges each of them to court the public favor, by a rivalry of accommodation and solidity.

Banks of circulation issue their notes, either in the discount of bills of exchange, that is to say, in giving their notes payable at sight, and circulating like cash, in exchange for private paper, payable at a future date, upon which interest is deducted; which is the course pursued by the present bank of France, and by all the English banks, public and private; or else in lending at interest to solvent individuals, like those of Scotland. Merchants of good credit are, in the latter way, supplied with the sums necessary for their current expenses and payments, and each of them is thereby enabled to embark his whole capital in his commercial enterprises, without being obliged to reserve any part to meet the calls upon him in the course of business. The merchant of Paris or London must contrive matters, so as to have always on hand,

(i) Has been converted into an engine of the state; for the profit, not of the nation, but of the privileged company. T.

either in his private coffers or in the bank, a sum sufficient to face the demands upon him ; whereas, the merchant of Edinburgh is relieved from this necessity, and at liberty to invest the whole of his funds, in the confidence that the bank will advance him the money he may happen to require. (*k*)

A bank of circulation affords the advantage of economizing capital, by reducing the amount of the sum, kept in reserve for the current and contingent expenses of the individuals it accommodates.

Bank bills or notes, payable on demand, and circulating as cash, play so important a part in the progress of national wealth, and have engendered such important errors in the brain of many writers of repute and information on other topics, that it will be worth while to examine their nature and consequences in a very particular manner.

I should premise, that the residue of this section applies exclusively to bank-notes, depending solely upon the credit of the bank for their currency, and convertible at pleasure into cash or specie.

(*k*) The two methods resolve themselves practically into one ; for merchants of good credit can always procure discountable paper ; and the sole essential difference is, that, in one case, the credit is individual and unevicenced, in the other, evidenced, and, in most cases, joint also. The bank of England requires the names of more than one firm on the paper it discounts. Country bankers often content themselves with the security, or note of hand, of the borrower alone. T.

It is a matter no less of curiosity than of importance, to enquire whether bank-notes, or paper destitute of intrinsic value, be any addition to the stock of national wealth, and what, if any, is the possible extent of that addition; for, were there no limits to it, there could be no end to the wealth, that a state might acquire in a short time by the mere fabrication of some reams of paper. The solution of this grand problem may be set down as one of Smith's happiest efforts; yet it is not every body, that comprehends his reasoning; I will try to render it more generally intelligible.

The wants of a nation require a certain supply of each particular commodity, and the extent of that supply is determined by the relative prosperity of the nation for the time being. A surplus of each of those commodities beyond this demand is either not produced at all, or, if produced, must occasion a decline of relative local value: it, therefore, naturally finds its way out of the country, and goes in quest of a market, where it may be in higher estimation.

Money is, in this respect, like all other commodities; it is a convenient agent, and, therefore, employed as such in all operations of exchange; but the intensity of the demand for it is determined in each community, by the relative extent and activity of the exchanges negotiated within it. As soon as there is a supply of money sufficient to circulate all the commodities there are to be circulated, no more money is imported; or, if a surplus flow in, it emigrates again in quest of

a market, where its value is greater, or where its utility is more desired. It is seldom or never that any body keeps in his purse or his coffer more specie, than enough to meet the current demands of his business or consumption.* Every excess beyond these demands is rejected, as bearing neither utility nor interest; and the community at large is fully supplied with specie, as soon as each individual is possessed of the portion suitable to his condition and relative station in society.

It may be safely left to private interest, to make the best use of the excess of specie beyond the demand for circulation. The notion, that every item of specie, that crosses the frontier, is so much dead loss to the community, is just as absurd as the supposition, that a manufacturer is so much the poorer, every time he parts with his money in the purchase of the ingredient or raw material of his manufacture; or that individuals, the aggregate of whom makes up the nation, present foreigners gratuitously with all the money they part with.

Taking it for granted, then, that the specie, remaining in circulation within the community, is limited by the national demand for circulating medium; if any expedient can be devised, for substituting bank-notes in place of half the specie, or the commodity, money, there will evidently be a superabundance of metal-money, and that super-

* No account is here taken of the money hoarded, which, for the national interest, might just as well have remained in the mine.

abundance must be followed by a diminution of its relative value. But, as such diminution in one place by no means implies a cotemporaneous diminution in other places, where the expedient of bank-notes is not resorted to, and where, consequently, no such superabundance of the commodity, money, exists, money naturally resorts thither, and is attracted to the spot where it bears the highest relative value, or is exchangeable for the largest quantity of other goods: in other words, it flows to the markets where commodities are the cheapest, and is replaced by goods, of value equal to the money exported.

The money, that can emigrate in this manner, is that part only of the circulating medium, which has a value elsewhere, than within the limits of the nation; that is to say, the specie or metal-money. Since, however, specie does not emigrate without an equivalent return; and, since its value, which before existed in the shape of specie, and was exclusively engaged in facilitating circulation, thenceforth assumes the form of a variety of commodities, all items of the reproductive national capital, there follows this remarkable consequence; that the national capital is enlarged to the full amount of all the specie exported upon the introduction of the substitute. Nor is the internal national circulation at all cramped for want of money by this export; for the functions of the specie, that has been withdrawn, are just as well performed by the paper substituted in its stead.

However valuable an acquisition the national

capital may thus receive, it must not be rated above its real amount. I have supposed, for the sake of simplicity, that half the specie might be replaced by circulating notes : but this is a monstrous proportion ; particularly if it be considered, that paper cannot retain its value as money any longer, than while it is readily and instantly convertible into specie ; I say, readily and instantly, because otherwise people would prefer specie, which is at all times, and without the least hesitation, taken for money. To insure this requisite convertibility, it is necessary, that, besides having at all times a fund in reserve, in private bills or securities, or in specie, sufficient to meet all the notes that may be presented, the bank itself should be at all times within reach of the holders of its notes. Therefore, if the territory be of any extent, and the notes so generally circulated, as to form half of the circulating medium, the subordinate offices of the bank must be greatly multiplied to place them within reach of all the note-holders.

But, granting the possibility of such an arrangement, and admitting, that paper might supplant as much as half the requisite national currency of specie, let us see what would be the amount of the acquisition to the national capital.

No writer of repute has ventured to estimate the requisite circulating specie of any nation, higher than $\frac{1}{7}$ of the annual national product ; some indeed have reckoned it as low as $\frac{1}{36}$. Taking the highest estimate, viz. $\frac{1}{7}$ of the annual product, which, for my own part, I consider greatly above

the reality in any case ; a nation, whose annual product should amount to 20 millions, would need but 4 millions of specie. Therefore, in case the half, or 2 millions, were supplanted by circulating paper, and employed in augmenting the national productive capital, that capital would be once for all augmented, by a value equal to $\frac{2}{25}$ or $\frac{1}{10}$ of the annual product of the nation.

Again, the annual product of a nation would, probably, be much over-rated at $\frac{1}{10}$ of the gross national productive capital ; but let it be set down at that rate, allowing 5 per cent. interest on productive capital, and 5 per cent. wages and profits of the industry it sets in motion. On this calculation, supposing the paper substitute to add to the national capital, in the ratio of $\frac{1}{10}$ of its annual product, this addition will not, at the highest estimate, exceed $\frac{1}{100}$ of the previous capital.

Although the practicable issue of bank-notes procures to a nation of moderate wealth an accession of capital, much less considerable than people may fondly imagine, this accession is, notwithstanding, of very great value ; for, unless the productive energy of the nation be extremely great, as in Great Britain, or the national spirit of frugality very general and persevering, as in Holland, the annual savings withdrawn from unproductive consumption, to be added to productive capital, form, even in thriving states, a very inconsiderable portion of the gross annual revenue. Nations, whose production is stationary, as every body knows, make no addition to their

productive capitals; and the consumption of those on the decline annually encroaches on their capitals.

Should the paper-issues of a bank at any time exceed the demands of circulation, and the credit enjoyed by the establishment, there follows a perpetual reflux of its notes, and it is put to the expense of collecting specie, which is absorbed as fast as collected. The Scotch banks, though productive of great benefit, have been obliged, upon such trying occasions, to keep agents in London constantly employed, in scraping specie together at a charge of 2 per cent., which specie was instantly absorbed. The Bank of England, in similar circumstances, was under the necessity of buying gold bullion, and getting it coined; and this coin was melted again as fast as it was paid by the Bank, in consequence of the high price of the metal, which was itself the effect of the constant purchases made by the Bank, to meet the calls upon it for specie. In this manner, it sustained the annual loss of from $2\frac{1}{2}$ to 3 per cent., upon a sum of about 850,000*l*.*, more than 20 millions of our money. I say nothing of the situation of this bank of late years, since its notes have acquired a forced circulation, and, consequently, altered their nature entirely.

The notes issued by a bank of circulation, even if it have no funds of its own, are never issued gratuitously; and, therefore, of course, imply the existence, in the coffers of the bank, of a value of

* *Wealth of Nations*, book ii. c. 2.

like amount, either in the shape of specie, or of securities bearing interest ; upon which latter only, the whole real advance of the bank is made ; and this advance can never be made upon securities that have a long time to run ; for the securities are the fund, that is to provide for the discharge of another class of securities, in the hands of the public at large, payable at the shortest of all possible notice ; viz., at sight. Strictly speaking, a bank cannot be at all times in a condition to face the calls upon it, and deserve the entire confidence of the public, unless the private paper it has discounted, be all, like its own notes, payable at sight (1) ; but, as it is no easy matter to find substantial assets, that shall bear interest, and at the same time be redeemable at sight, the next best course is, to confine its issues to bills of very short dates ; and, indeed, well-conducted banks have always rigidly adhered to this principle.

From the preceding considerations may be deduced a conclusion, fatal to abundance of systems and projects ; viz. that credit-paper can supplant, and that but partially, nothing more than that portion of the national capital performing the functions of money, which circulates from hand to hand, as an agent for the facility of transfer ; consequently, that no bank of circulation, or credit-paper of any denomination whatever, can supply to agricultural, manufacturing, or commercial en-

(1) Not so, for a bank may have a capital, or assets of its own, to make up the balance. T.

terprise, any funds for the construction of ships or machinery, for the digging of mines or canals, for the bringing of waste land into cultivation, or the commencement of long-winded speculations; any funds, in short, to be employed as vested capital. The indispensable requisite of credit-paper is, its instant convertibility into specie; when the sum total of the paper issued does not exist in the coffers of the bank, under the shape of specie, the deficit should at least be supplied by securities of very short dates; whereas, an establishment, that should lend its funds to be vested in enterprises, whence they could not be withdrawn at pleasure, could never be prepared with such securities. An example will illustrate this position. Suppose a bank of circulation to lend 30,000 *fr.* of its notes, circulating as cash, to a landholder on mortgage of his land, presenting the amplest security. This loan is destined by the landholder to the construction of necessary buildings, for the cultivation of the estate; for which purpose he contracts with a builder, and pays him the 30,000 *fr.* of notes advanced by the bank. Now, if the builder, after a short lapse of time, be desirous of turning the notes into specie, the bank cannot pay him by a transfer of the mortgage. The only property the bank has to meet the 30,000 *fr.* of notes is a security, ample beyond doubt, but not available at the moment.

The securities in the hands of a bank, I hold to be a solid basis for the whole of its issues of notes, provided those securities be of solvent persons,

and have not too long to run ; for the securities will be redeemed either with specie, or with the notes of the bank itself. In the first case, the bank is supplied with the means of paying its notes ; in the second, it is saved the trouble of providing for them.

If, by any circumstance, the notes be deprived of their power of circulating as specie, the task of replacing the metal for the paper-money does not devolve upon the bank ; nor was it at the first saddled with the business of turning to account the metal-money its notes rendered superfluous. For, as we have already observed, the bank can extinguish the whole of its paper with the private securities it holds. The inconvenience falls upon the public, which is under the necessity of finding a new agent of circulation, either by a re-import of the metal-money, or by the substitution of private paper ; but probably the public would, in such circumstances, apply again to a bank conducted on sound principles. * (*m*)

* Since the first publication of this passage, this very circumstance has happened in respect to the bank of Paris, in 1814 and 1815, when that capital was besieged and occupied by the allied armies. The advances of the bank to the government, and to individuals, which could not be recalled immediately, did not exceed the capital of the establishment, for which the share-holders cannot be called upon ; and its paper-issues, payable

(*m*) That the charge of re-placing the metallic currency in England, upon the return to convertibility, will ultimately fall upon the nation at large, has been observed, *suprà*, p. 362. T.

This will serve to explain, why so many schemes of agricultural banks for the issue of circulating and convertible notes on ample landed security, and so many other schemes of a similar nature, have fallen to the ground in very little time, with more or less loss to the share-holders and the public.* Specie is equivalent to paper of perfect solidity, and payable at the moment; consequently, it can only be supplanted by notes of unquestionable credit, and payable on demand; and such notes cannot be discharged by a bare security, even of the best possible kind.

For the same reason, bills of exchange in the nature of accommodation-paper, as it is called, can never be a sound basis for an issue of convertible paper. Such bills of exchange are paid when due by fresh bills, that have a further term to run, and are negotiated with the deduction of discount. When the latter fall due, they are met by a third set payable at a still later date, which are discounted in like manner. If the bank discounts

payable to bearer, were all covered, either by specie in hand, or by commercial paper of short dates. By this means, notwithstanding the very critical circumstances of the moment, the merchants continued to employ its notes, which they could not well do without; and they were paid as usual in cash without interruption, during the whole of the hostile occupation; which shows at once the utility of a bank of circulation, and the advantage of leaving inviolate the convertibility of its paper-issues.

* In 1803, the land-bank of Paris was, for this reason, obliged to suspend the payment of its notes in cash, and to give notice, that they would be paid off by instalments out of the proceeds of its real securities.

such bills, the operation is no more than an expedient for borrowing of the bank in perpetuity ; the first loan being paid with a second, the second with a third, and so on. And the bank experiences the evil of issuing more of its notes, than the circulation will naturally absorb, and the credit of the establishment will support ; for the notes, borrowed upon such bills, do not help to circulate and diffuse real value, because they represent and contain no real value themselves ; consequently, they continually recur to be exchanged for specie. It is on this account, that the discount-bank of Paris, while it continued to be well administered, did, as the present banks of France and of England do still, refuse, as far as it is able, to discount accommodation-paper.

The consequences are similar and equally mischievous, when a bank makes advances to government in perpetuity, or even for a very long period. (*n*) This was the cause of the failure of the Bank of England. Not being able to obtain payment from government, it was unable to withdraw

(*n*) That is to say, advances its notes. A bank, like an individual, may advance its capital, which then becomes more or less vested or fixed. The whole capital of the Bank of England has been thus advanced ; and there would have been no danger, had it not advanced its notes also. When the advances of paper are made upon transferable securities, stock, exchequer bills, and the like, those securities may be sold for cash, or for the notes of the bank itself, so long as they retain their value, and thus the safety and solvency of the bank maintained. But this operation is unnecessarily complex ; for the government might itself have sold, and thus have saved the brokerage or profit accruing upon the operation to the Bank. T.

the notes in which the loan was made. From that moment its notes ceased to be convertible; they have since enjoyed a forced circulation. The government, being itself unable to supply the bank with the means of payment, discharged that body from its liability to its own creditors.*

* Thornton, in his tract on the *Paper Credit of Great Britain*, written expressly with a view to justify the suspension of cash-payments by that establishment, has attacked the positions of Smith upon this subject. He tells us, that the extraordinary run upon the bank, which brought about the suspension, was occasioned, not by the excess of its issues, but, on the contrary, by their partial contraction. ‘An excessive limitation of bank-notes,’ he observes, ‘will produce failures, failures must cause consternation, and consternation must lead to a run upon the bank for guineas.’ By this reference to an extreme case, he endeavours to support his paradoxical opinions. When a convertible paper has succeeded in driving out of the country too large a portion of the metallic money, and the confidence in the paper happens suddenly to decline, great confusion and embarrassment will doubtless ensue, because the remaining agent of circulation is insufficient to effect the business; but it is a great mistake to suppose, that the deficiency can be remedied by the multiplication of a paper, not enjoying the confidence of the public. If the Bank of England was able to survive the shock, it was because of the indispensable necessity of some agent of transfer, of some money or other, of paper in default of all others, in so commercial a country; because the government and the bankers of London, who were interested in the safety of the bank, unanimously agreed not to call upon it for cash, until it should be in a condition to pay; that is to say, until the government should have paid its advances in actual value. The bank had lent to the government more than its whole capital; for to that extent it might have gone with safety, its capital not being wanted for the discharge or convertibility of its paper; had it not so done, the short bills in its possession would

The holders of the notes of a bank issuing convertible paper run little or no risk, so long as the bank is well administered, and independent of the government. Supposing a total failure of confidence to bring all its notes upon it at once for payment, the worst that can happen to the holders is, to be paid in good bills of exchange at short dates, with the benefit of discount; that is to say, to

would have been sufficient for the extinction of its convertible paper. (o)

(o) It has been too much the fashion of late to decry the merits of Thornton, whose work, though founded on an error of theory, is full of valuable practical information, and has served to throw great light upon the subject of money and credit. He has succeeded in showing the necessity of converting the bank paper from a representative into a principal, and of at least suspending its convertibility; and he has exhibited, in a striking point of view, the operation and advantages of credit. But his fault lies in not seeing distinctly the broad distinction between money and credit, which the translator has, in his own view of the matter, endeavoured to analyze and explain. It is observable, that a smaller value of money, and a smaller sum of money-credit, even if their rapidity of operation be stationary, may equally well effect the purposes of money, *i. e.* the facility of transfer and exchange; but must do so upon a lower scale of price. And England, as a debtor-country, has a public interest in maintaining a high scale of internal price; and, as a productive and industrious country, in progressively elevating that scale of price, for reasons above adverted to, (*passim*). It is now proved beyond a doubt, that the scale cannot be even maintained in metal or convertible paper; yet to this the bullionists insist upon returning; in other words, to national bankruptcy, and discouragement, if not stagnation or decline, of national production. T.

be paid with the same bills of exchange, whereon the bank has issued its notes. (*p*) If the bank have a capital of its own, there is so much additional security; but, under a government subject to no control, or to nominal control only *, neither the capital of the bank, nor the assets in its hands,

* At the period of my writing, the Parliament of Great Britain represents the interests, not of the nation, but of the ministry, which is an oligarchical faction, nominated by the king. (*q*)

(*p*) For want of attention to the operation of credit in all its branches upon the transfer and exchange of value, and upon the general scale of value, our author has here overlooked the probability, that such a contraction or extinction of credit would probably make great part of the private paper of no value, or of very little; which is one of the consequences that Thornton deprecated. T.

(*q*) Our author's view of the virtual constitution of this country is theoretically just; and would be practically so, were there not another power, that really directs the public councils, though in a very inefficient and clumsy manner. The representative body represents, not interests but persons, and is wholly at the beck of any degree of folly or wickedness, that may happen to get into office. But violent abuses generate violent remedies; and, as the despot in Turkey is controlled by the fear of the bow-string, so the corruption of an ill-chosen legislature is checked by public opinion, animated by freedom of speech and of the press. The legislative body is of little use, but as a means of rousing the energy of public opinion. Were the doors of Parliament closed, the paper of England might soon become as little effectual, as one that should be issued by the Ottoman Porte, or the Sophi. Whence may be seen the absolute necessity of preserving, at all hazards, the sole remaining check to abuse and national decay. T.

offer any solid security whatever. The will of an arbitrary prince is all the holders have to depend upon; and every act of credit is an act of imprudence.

As far as I am capable of judging, such is the effect of banks of circulation and of their paper-issues upon individual and national wealth. This effect is described by Smith in a quaint and ingenious metaphor. The capital of a nation he likens to an extensive tract of country, whereupon the cultivated districts represent the productive capital, and the high roads the agent of circulation, that is to say, the money, that serves as the medium to distribute the produce among the several branches of society. He then supposes a machine to be invented, for transporting the produce of the land through the air; that machine would be the exact parallel of credit-paper. Thenceforward the high roads might be devoted to cultivation. 'The commerce and industry of the country, however,' he continues, 'though they may be somewhat augmented, cannot be altogether so secure, when they are thus, as it were, suspended upon the Dædalian wings of paper-money, as when they travel about upon the solid ground of gold and silver. Over and above the accidents, to which they are exposed from the unskilfulness of the conductors of this paper-money, they are liable to several others, from which no prudence or skill of those conductors can guard them. An unsuccessful war, for example, in which the enemy got possession of the capital, and consequently of that

treasure, which supported the credit of the paper-money, would occasion a much greater confusion in a country, where the whole circulation was carried on by paper, than in one, where the greater part of it was carried on by gold and silver. The usual instrument of commerce having lost its value, no exchanges could be made but either by barter or upon credit. All taxes having usually been paid in paper-money, the prince would not have wherewithal either to pay his troops, or to furnish his magazines; and the state of the country would be much more irretrievable, than if the greater part of its circulation had consisted in gold and silver. A prince, anxious to maintain his dominions at all times in the state, in which he can most easily defend them, ought upon this account to guard, not only against that excessive multiplication of paper-money, which ruins the very banks which issue it; but even against that multiplication of it, which enables them to fill the greater part of the circulation of the country with it.' * (r)

* *Wealth of Nations*, book ii. c. 2.

(r) Smith is here speaking of convertible paper, which is never paper-money. The difference is now beginning to be understood; in his time it was not perceived, although he instances the English colonies of North America, as having established an inconvertible paper. Most of the inconveniencies he mentions with regard to convertible, attach also to inconvertible, paper; which is also more liable to excessive issue, and to the abuse of the public authority. But it has advantages not possessed by its precursor, convertible paper. T.

Forgery alone is enough to derange the affairs of the best conducted and most solid bank. And forgery of notes is more to be apprehended, than counterfeits of specie. The stimulus of gain is greater. For there is more profit to be made by converting a sheet of paper into money, than by giving the appearance of precious metal to another metal, that has some, though very little, intrinsic value, especially if it be compounded or covered with a small portion of the counterfeited metal; and perhaps, too, the materials for the former operation are less liable to discovery. Besides, the counterfeits of specie can never reduce the value of the specie itself, because the latter has an intrinsic and independent value as a commodity; whereas, the mere belief that there are forged notes abroad, so well executed, as to be scarcely distinguishable from the genuine, is enough to bring both forged and genuine into discredit. For which reason, banks have sometimes preferred the loss of paying notes they know to be forged, to the hazard of bringing the genuine ones into discredit, by the exposure of the fraud. (s)

(s) The past experience of England has shown, that the danger of forgery is far less than our author seems to imagine; for, with the most moderate skill of execution, it has been unable materially to affect the value of the paper at large, even when that paper was most abundant. An experiment is about to be tried, for the further reduction of this danger, and with every prospect of success. The injury to morals, and increase of crime and punishment, has, indeed, been most calamitous; but it must be remembered, that this branch of criminality only has thriven,

One method of checking the immoderate issue of notes is, to limit them to a fixed and high denomination of value; so as to make them adapted to the circulation of goods from one merchant to another, but inconvenient for the circulation between the merchant and the consumer. It has been questioned, whether a government has any right to prohibit the issue of small notes, while the public is willing to take them; and whether such limitation be not a violation of that liberty of commerce, which it is the chief duty of a government to protect. But the right undoubtedly is just as complete, as that of ordering a building to be pulled down, because it endangers the public safety.

SECT. IV.

Of Paper-Money.

THE distinctive appellation of paper-money I have reserved exclusively for those obligations, to which the ruling power may give a compulsory circulation in payment for all purchases, and discharge of all debts and contracts, stipulating a delivery of money. I call them obligations, because, though the authority that issues, is not bound to redeem them, at least not immediately;

thriven, and that others have been wonderfully checked. Highway robbery has almost ceased; and no better engine of police could have been devised, for the detection of fraud or spoliation, than a paper-money well conducted. The projected improvement in the execution, it is hoped, will check the crime of forgery, without reducing the present check upon all other branches of criminality. T.

yet they commonly express a promise of redemption at sight, which is absolutely nugatory; or of redemption at a date expressed, for which there is no sort of security; or of territorial indemnity, the value of which we shall presently enquire into.

Such obligations, whether subscribed by the government or by individuals, can be converted into paper-money by the public authority only, which alone can authorise the owners of money to pay in paper. The act is, indeed, an exertion, not of legitimate, but of arbitrary authority; being a deterioration of the national money in the extreme degree.

Upon the principles above established, it should seem, that a money, destitute of all value as a commodity, ought to pass for none in all free dealing subsequent to its issue; and this is always the case in practice sooner or later. The notes of what was improperly called, Law's Bank, and the *assignâts* issued during the French revolution, were never regularly called in or cancelled; yet those of the highest denomination would not pass at present for a single *sol*. How, then, came they ever to pass for more than their real value? Because there are many expedients of fraud and violence, which will always have a temporary efficacy.

In the first place, a paper, wherewith debts can be legally, though fraudulently, discharged, derives a kind of value from that single circumstance. Moreover, the paper money may be made efficient to discharge the perpetually recurring claims of public taxation. Sometimes a *tariffe* or *maximum* of price is established; which, indeed, soon extin-

guishes the production of the commodities affected by it, but gives to the paper-money a portion of the value of those actually in existence. Besides, the very creation of a paper-money with forced circulation occasions the disappearance of metallic money; for, as it is made to pass at par with the paper, it naturally seeks a market, where it can find its true level of value. The paper-money is thus left in the exclusive possession of the business of circulation; and the absolute necessity of some agent of transfer, in every civilized community, will then operate to maintain its value.* So urgent is this

* Wherever a paper-money has been established, the difference between its value in the home market, where it has utility, and its value in foreign markets, where it has no utility (*t*), has afforded a fruitful field for speculation, that has enriched many adventurers. In 1811, 100 guineas in gold would purchase at Paris a bill of exchange on London, for 140*l.* sterling, payable in the paper, which was the only currency of England. Yet the difference between gold and paper in the London market at the same period, was only 15 per cent. It was in
this

(*t*) This is not strictly correct to the full extent: for, if the paper had no utility whatever in the foreign market, it would have no value, being destitute of one of the indispensable ingredients of value. Our author should have limited the expression, and said, 'no utility as money;' for it really possessed none, its utility abroad consisting in its quality of remittance to England, where it had the utility of money. But he is mistaken if he means, that paper-money affords a wider field of speculation than a metallic-money. The trade of international exchanges is just as brisk between two nations having neither of them a paper-money, provided the intercourse between them be equally frequent and extensive. The violent fluctuations of exchange are occasioned by the violent checks and fluctuations of international commerce. T.

necessity, that the paper-money of England, consisting of the notes of the bank, has been kept at par with specie, simply by the limitation of the issues to the demands of circulation.

Nations precipitated into foreign wars, before they have had time previously to accumulate the requisite capital for carrying them on, and destitute of sufficient credit to borrow of their neighbours, have almost always had recourse to paper-money, or some similar expedient. The Dutch, in their struggle with the Spanish crown for independence, issued money of paper, of leather, and of many other materials. The United States of America, under similar circumstances, likewise had recourse to paper-money; and the expedient, that enabled the French republic to foil the formidable attack of the first coalition, has immortalized the name of *assignâts*.

Law has been unjustly charged with the whole blame of the calamities resulting from the scheme that bears his name. That he entertained just ideas respecting money, may be gathered in the

this way, that the paper was of higher value in England than abroad. Accordingly, I find from returns with which I have been favored, that gold in guineas or bullion was smuggled into the ports of Dunkirk and Gravelines alone, in the years 1810, 11, 12 and 13, to the amount of 182,124,444 *fr.* There was a similar speculation in other commodities at large; but it was attended with more risk and difficulty; the import into France being very hazardous, although the export from England was encouraged in every possible way. Yet this traffic would soon have found its level, for it must have produced bills on England in such quantity, as to have brought the exchange to par at least, had not the continental subsidies of England furnished a continual supply of bills on London without any return.

perusal of a tract* he published in his native country, Scotland, to induce the Scotch Government to establish a bank of circulation. The bank established in France, in 1716, was founded on the principles there set forth. Its notes were expressed in these words :

“ The Bank promises to pay the bearer at sight
* * * * * *livres* in money of the same weight
and standard as the money of this day. Value
received at Paris,” &c.

—The bank, which was then but a private association, paid its notes regularly on demand : they were not yet metamorphosed into paper-money. Matters remained on this footing, and went on very well, till the year 1719 † ; at which period the king, or rather the regent, repaid the shareholders, and took the management into his own hands, calling it the Royal Bank. The notes were then altered to this form :

“ The Bank promises to pay the bearer at sight
* * * * * *livres* in *silver* coin. Value received at
Paris,” &c.

—This alteration, slight as it was in appearance, was a radical one in substance. The first note stipulated to pay a fixed quantity of silver : viz. the quantity contained in the *livres* current at the date of issuing the notes. The second merely engaged to pay *livres*, and so opened a door for whatever alterations an arbitrary power might

* This work was translated into French, while Law continued in the office of Controller-General of France ; and is entitled, *Considerations on Commerce and Money*.

† *Vide, Dutot.* tom. ii. p. 200. for a detail of the beneficial effects of the institution, as originally conducted.

think proper to make in the real value expressed by the word *livre*. And this was called fixing the rate of the paper-money; whereas, on the contrary, it was unfixing, and making it a fluctuating value; and the fluctuations were truly deplorable. Law strenuously opposed the innovation; but principle was compelled to give way to power; and the crimes of power, when the consequences began to be felt, were confidently attributed to the fallacy of the principle.

The *assignâts* issued by the revolutionary government were worth even less than the paper-money of the regency. The latter gave a promise, at least, of payment in silver: and, though the payment might be greatly curtailed by a deterioration of the silver-coin, yet sooner or later the paper might have been redeemed, if the government had but been more moderate in its issues, and more scrupulous in fulfilling its engagements. But the *assignâts* conveyed no right to call for silver; nothing but a right to purchase or obtain the national domains. Let us see what this right was really worth.

The original *assignâts* purported to be payable at sight at the *Caisse de l'Extraordinaire*, where they were, in fact, never paid at all. It is true, they were received in payment for the national domains bought by individuals at a competition-price; but the value of these domains could never give any determinate value to the *assignâts*, because their nominal value encreased exactly in proportion as that of the *assignâts* declined. The government was not sorry to find the price of national domains ad-

vance, because it was thereby enabled to withdraw a greater amount of *assignâts*, and, consequently to re-issue new ones, without enlarging the quantity afloat. It was not aware, that, instead of the national domains advancing in price, the *assignâts* were undergoing a rapid depreciation, and that the further that depreciation was pushed, the more *assignâts* must be issued in payment of an equal quantity of supplies.

The last *assignâts* no longer purported to be payable at sight. The alteration was little attended to, because neither first nor last were, in fact, ever paid at all. But their vicious origin was made more apparent. The paper contained these words :

“ National domains — *Assignât* of one hundred *francs*,” &c.

—Now, what was the meaning of the term, one hundred *francs*? What value did they convey the notion of? Was it the value of the quantity of silver, theretofore known under the designation of one hundred *francs*? No; for 100*fr.* could not possibly be obtained with an *assignât* to that amount. Did it convey the idea of as much land, as might be purchased for 100*fr.* in silver? Certainly not; for that quantity of land could no more be obtained, even from the government, by an *assignât* of 100*fr.*, than 100*fr.* in specie. The domains were disposed of at public auction for as many *assignâts* as they would fetch; and the value of this paper had latterly so far declined, that one of 100*fr.* would not buy an inch square of land.

In short, setting aside all consideration of the

discredit attached to that government, the sum expressed in an *assignât* presented the idea of no definite value whatever; and those securities could not but have fallen to nothing, even had the government inspired all the confidence, of which it was so eminently destitute. The error was discovered in the end, when it was impossible any longer to purchase the most trifling article with any sum of *assignâts*, whatever might be its amount. The next measure was, to issue *mandâts*, that is to say, papers purporting to be an order for the absolute transfer of the specific portion of the national domains expressed in the *mandât*: but, besides that it was then too late, the operation was infamously executed. (u)

(u) Perhaps there is no one part of his subject, that our author has handled less scientifically and satisfactorily, than this of paper-money, which was an object fully entitled to the most serious attention. He has not analyzed the basis of its value, nor the mode of its operation; and, though admitting the possibility of its establishment, which, indeed, is undeniable, he has given us no rules for its management, or for its beneficial application. Indeed, the whole subject of credit, in all its branches, is left in a most unsatisfactory state, though it was one he might have dwelt on with the greatest benefit to his foreign readers, who cannot be supposed to have so much knowledge or experience of the matter, as those the Translator is addressing himself to. It is to be hoped he will, in another edition, supply this glaring deficiency. T.



END OF VOL. I.

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